60cents

Volume ?, No. 32, (Issue 349) August 29, 1979

Insurer casts lifeline to Tether Ltd's clients

by Rae Mazengarb

A "RESCUE operation" has been mounted by Auckland-based Universal Guarantee Assurance Co Ltd to provide insurance cover for clients of the broking company R Tether (Insurances) Ltd.

Universal Guarantee will place the insurance through Lloyds and S R Hall (USA). In general, clients will pay a higher rate of premiums than they paid with Tether Insurances.

It is understood only about 150 clients remain, wanting cover for aircraft and boats up to $10,000 each.

The number of original clients is not known, but it has been suggested some 200 aircraft and 100 boats may have been insured through the broking company.

The Supreme Court in Auckland ordered the appointment of a provisional liquidator of Tether Insurances on August 15, after an investigation into that company's affairs by the Commercial Affairs Division of the Justice Department.

The underwriting company Commodore General Insurance, had declined responsibility for much of the insurance written by Tether Insurance on behalf of it.

Universal Guarantee was established six years ago as a private company by the Ryan family of Auckland.

It has recently arranged to provide for clients still on Tether Insurance's books through the broking firm of Anthony Ryan & Co Ltd.

Russell Tether, the principal of R Tether (Insurances) Ltd has written to his clients, enclosing a proposal form addressed to Anthony Ryan and Co.

"The underwriting arrangement with the overseas underwriting company Commodore General Insurance had proved "unsatisfactory", and "to protect clients we have arranged interim cover through Anthony Ryan & Co Ltd, registered Insurance brokers until August 24, 1979 at competitive rates with local underwriters", the letter said.

"Our business arrangements with Commodore ... are now the subject of legal action and it is our intention to advise you further as to the recovery of premiums and outstanding claims as soon as possible.

"Unfortunately the premiums paid to Commodore can't be recovered (at this moment in time) so if you wish continuance of your protection past August 24, 1979 it will be necessary to complete the attached proposal form and return it to Anthony Ryan & Co, P O Box 37237 Parnell ... together with your remittance payable to (that company) of ... (amount) ... which will ensure cover until ... (date) ... with terms and conditions to be advised following receipt of the proposal. If the proposals and premiums are not in the mail by August 21 it will be assumed you have made other arrangements and cover lapsed".

A Wellington yacht-owner said he would have been required under this arrangement to pay an extra $173 premium on top of his previous premium to insure his boat up to the original expiry date of the policy.

But he had already made alternative arrangements.

The General Manager of Universal Guarantee Assurance, M Moynihan, said his company's arrangement was with a broking company which he declined to name.

NBR established it as Anthony Ryan and Co.

"It just so happens the business is on the books of Tether Insurances", Moynihan said.

Anthony Ryan, a Universal Guarantee shareholder, said just before Tether Insurances was put into liquidation, Anthony Ryan & Co Ltd — registered insurance brokers — arranged a blanket cover for Tether Insurances' clients that were with Commodore.

"We're talking about $1 million worth of cover and premium income of around $100,000", Ryan said.

Ryan covered those clients for 14 days out of his own pocket until other insurance cover was arranged through Universal. It cost him $2000.

He said there were two reasons for doing this: To give clients protection and to increase his portfolio.

There had been a good response to the letter to clients and the resulting business would bring in between $30,000 to $40,000 in premium income.

Some clients will now be dealing through their third broker in quick succession, Fugan and Associates who sold the portfolio to Tether Insurances, and now Anthony Ryon and Co Ltd.

Along the way many clients have dropped out, including Sealords with its $3 million worth of cover.

Moynihan said his company had written some business for Tether Insurances some time ago, but it advised notice of cancellation of dealings with the company late in 1977.

He said this had been a "policy decision".

In 1977 Tether was a shareholder of Universal Guarantee, owning some 11,000 shares. But these shares were sold early in 1978, according to Company Office records.

The most recent annual report of Universal Guarantee announced that company's intention to go public, at the same time increasing share capital from $1 million to $2 million.

Premium income for the company has increased from less than $25,000 for the 1973-74 year to more than $1.5 million last financial year.

Gerald Ryan, Universal Guarantee's chairman of directors, said in the report:

"The New Zealand insurance market is anything but buoyant. Over the last 12 months we have seen the emergence of selling techniques which I believe emanate from Australia.

"We all know that the Australian insurance market has been a comparative disaster and depressed for some time, with the resultant corporation crashes and large underwriting losses.

"The appointment of an Insurance Commissioner and legislation by central government to control the insurance market has been the Australian experience. Is that what we want for New Zealand? Do we want our Government to have to regulate us."

According to Ryan "Some of the current premiums being quoted by underwriters and brokers cannot be a viable ... companies offer ... rates ... there is a price to pay."

The report is dated July, 26, 1979.

More NBR reports: Pg 3.

Legal action unaffected by sale of Perpetual

by Rae Mazengarb

THE Australian Mutual Provident Society has been successful in its bid to acquire the shares of the Perpetual Trustees, Estate and Agency Co of New Zealand Ltd, the Dunedin company which met with financial difficulties in 1975.

The purchase price was $3.25 million, according to acting New Zealand manager of AMP Godfrey Bowles.

Settlement date is September 28, if the purchase receives the approval of the Overseas Investment Commission and the Commerce Commission.

The announcement was made last week by S.J.R. Chalten, chairman of the Statutory Board of Perpetual and its substitute company, created in terms of the Trustee Companies Management Amendment Act 1978.

The Amendment Act — passed very quickly in the 1978 Parliamentary session — was designed to pave the way for a takeover.

A breach of trust action which had been hanging over Perpetual before the Government provided for a substitute company to be created — is still proceeding.

But Chalten said AMP has purchased a company which now has "a clean bill of health".

That action will now not have any bearing on the liabilities of Perpetual Trustees.

In March this year, when the Amendment Act was applied, all liabilities attached to Perpetual were transferred to the substitute company.

All shares were also transferred and shareholders received shares in the substitute company.

"We got the surplus cash and investments out of Perpetual", said Chalten.

The liability to the BNZ — which advanced some $5 million to Perpetual — would be paid off. The rest will remain in reserve pending the outcome of the court action.

If there is a surplus, it will be distributed to shareholders; if there is a deficiency, those shareholders will be liable in terms of the original uncalled liability, that is, up to $10, per share. Then the substitute company will be liquidated..

Earlier this year at least half a dozen companies — including both National Insurance and New Zealand Insurance — had expressed interest in buying Perpetual Trustees.

But before the company could be bought, liabilities and

(Continued on page 7)

Inside:

Registered at Post Office Headquarters as a newspaper

A good safe analysis for a good safe seat

by Colin James

"WHAT by-election?" said the Prime Minister when a radio reporter rang him up for comment.

Well, sir, the by-election in which your special hate, the ivory tower academic Geoffrey Palmer, came first and your party came third.

Didn't this mean that Nats had deserted for Social Credit?

"In city seats it is Labour votes that go to Social Credit and that's something the Labour Party has got to be worried about for 1981," said the man who nearly lost in 1978.

President George Chapman: "We will certainly be examining Social Credit policies which in a political sense are not viable. We chose to ignore them in 1978, but in 1981 we will publicly counter them."

Social Credit leader Bruce Beetham, jubilant: "The much greater appreciation of Social Credit policies by the electorate at large is a further and perhaps now the most important factor of all" (in the rise of the league's support).

"The result shows that Labour is stagnating. The only significant increase is in the percentage increase to Social Credit. Social Credit has gained at National's expense where Labour wanted to so badly."

Labour leader Bill Rowling: "It was a good representation of how New Zealanders feel at the moment."

Labour president Jim Anderton: "The same swing across the country would make us the Government with 20 to 30 seats and I cannot be too unhappy about that."

Labour victor Palmer said the result showed a total collapse of National's campaign and a total collapse of the National vote.

The Prime Minister: "I think our people just didn't vote because they knew they couldn't win."

Chapman: "We did not make much effort on the grounds that Labour would win and all we should do was put up a candidate."

Rowling: "This particular seat has always been a difficult one in terms of the poll. It was a very low poll in the general election . . . And because of its strong support for Labour in the past it was much more difficult to get our people in particular to come out."

Anderton: "The most disturbing thing is that so many did not vote.

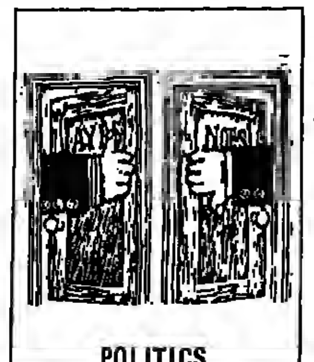
"In these disturbing times I would have expected less apathy and I would have expected that fewer protest votes against the Government would have gone negatively to Social Credit.

"We failed to set the campaign alight because of a lack of a serious national policy . . .

"The responsibility is on us as clearly the alternative Government to promote constructive policies."

Social Credit candidate Heffernan: "Labour is not being regarded as an alternative to the Government."

And so on: take your pick of explanations according to what you want to read into it.



POLITICS

Labour, looking for comfort: Labour's share of the poll went up.

Labour, critical of the leadership: We didn't have the policies.

National, Mark I: Our people didn't bother to vote and in any case it is more of a fright for Labour, since that is where Social Credit votes came from.

National, Mark II: We made sure our people didn't bother to vote by not campaigning, so that we had an excuse. But we are scared of Social Credit and will fight it when the time comes.

Social Credit: This proves the Labour Party is in decay.

What it proves is that by-elections in safe seats don't amount to a row of beans.

You can say, first-off that there was a swing from the Government to Labour. As a percentage of all votes cast, on the two election days, that was 4.8 per cent.

Labour's share of the votes cast went up 1.7 per cent while National's went down 8.17 per cent. Add them together and divide by two.

But that swing may be higher than it would have been somewhere else in the country, since the anti-Government feeling in Christchurch as reflected in the 1978 election swing was much higher than elsewhere.

Alternatively you can argue that Christchurch led the anti-Government way in December and that the swing in a by-election elsewhere would have been catching up and this would have been higher than in Christchurch.

In any case, a 5 per cent swing against a Government is natural in mid-term, even if the Government is not doing too badly.

But this one has been in trouble all this year. Any swings should be in the 10-20 per cent range, as they were in Britain in the trough of Labour support in the mid-1970s.

(The 7.85 per cent swing for Christchurch Central quoted widely after the election is calculated as a percentage of the vote for Labour and National only. On that basis, the British swings ranged from 11 per cent to 27 per cent.)

So, if you are of a mind to, you can interpret the result as a slap in the face for Labour.

Alternatively, you can argue that the Social Credit votes came from National, while Labour voters stayed home because they knew they had it won. Or that Social Credit picked up erstwhile Values votes.

In any case, does it not look worse for National than Labour, since National fell into third place?

Well, yes — and no. If National had not put up a candidate, it would have been impossible to tell how badly it had done.

Instead, it did the next best thing — gave him very little support. How much reliance can be placed on the National collapse?

And Social Credit's rise, was it a real rise? Well, yes, in terms of votes — 341 of them, comparing figures on the two election nights.

And, yes, in terms of percentage of the poll — 9.52 per cent.

But, dammit, should not third parties rise in off years? Well, yes. The Liberals went up 17.3 per cent in one safe seat by-election in Britain in 1978.

But by-elections have a cruel habit of raising third party hopes only for them to be dashed again in the general election.

Last year's February Rangitikei promise of four to six seats in November did not materialise.

If, as Chapman keeps arguing, 1981 will be a fight between a Government and a party perceived by the public as possibly the Government — between National and Labour — and not, as it was last year, a fight between the Government and a Labour Party the public saw as having no hope, will Social Credit survive the squeeze?

A by-election in a close National-Labour marginal seat might have given a pointer for that sort of 1981.

A by-election in a safe seat is of no value as such a pointer, nor does it provide convincing if any, evidence that 1981 will be essentially a battle between Labour and Social Credit over who is eventually to be the country's second party.

You can't even draw any firm conclusions from the apparently low turnout.

The Christchurch Central roll was in especially bad shape for the general election.

Political scientist Alan McRobie found that, of a random sample he took last year, half the people supposedly on the roll did not live at the addresses named on the roll.

Yet when he checked the by-election roll recently, 55 per cent of those marked at the wrong addresses last year were still marked as at those addresses.

McRobie considers that basically the electoral officers were working from an updated 1972 roll.

Trying to establish the actual turnout figure is therefore guesswork. The only thing that can be said with any certainty is that fewer votes were cast — about 65 per cent of the number cast on election day, last year, including informal votes.

That was well below par for safe seat by-elections over the past dozen years, which have ranged between 75 and 90 per cent of general election votes.

So it is safe to say at least that the two main parties should be concerned — and that Social Credit has some cause for continued optimism. Which is no more — in fact rather less — than you could learn from the latest Heylen poll on August 4.

It showed Social Credit back up 3.5 percentage points after two falls in July, this time at the expense of both Labour and National, back almost to neck and neck — 40.1 per cent to Labour and 39.4 per cent to National.

It also showed a continuing widening of the gap between Muldoon and Rowling in the "preference for Prime Minister" stakes. Muldoon led 28.7 per cent to 17.5 per cent on

JIM ANDERTON . . . can't be too unhappy.

August 4, back to roughly May figures.

Beetham was back to higher figures of earlier this year with 12.1 per cent.

Heylens could hardly have managed a better present for the Social Credit conference last weekend — but more that next week.

★ ★ ★

A printing gremlin last week may have left you with the impression that David Caygill, Ann Hercus and Stan Rodger, Labour rising stars, were of the National Party. The paragraph crediting them with improving the Labour image somehow got dropped.

So did two other relatively positive paragraphs at the end. Better luck this time.

Broker warns clients

by Rae Mazengarb

WARNINGS that Auckland brokers H Tether (Insurances) Ltd, may not have arranged effective insurance as requested, were contained in a letter to clients from H R Fagan & Associates Ltd, a subsidiary of the Wymark group.

Managing director Hugh Fagan said that Tether Insurances responded with legal action to restrain him from so advising clients.

Fagan said he had originally sold R Tether (Insurances) his aviation portfolio but was in no way connected with that broking company.

The letter, dated mid-July, said that as a result of extensive inquiries by the group in relation to insurance that should have been arranged by Tether's company, "we have ascertained that (it) may not have arranged effective insurance covers as requested.

"In the course of our inquiries, that broker has stated both verbally and in writing that most marine business was placed pursuant to its binding authority with the London Insurers Commodore General Insurance Co Ltd.

"However, our inquiries have revealed that Commodore dispute that R Tether (Insurances) had any binding authority and have denied the knowledge or existence of any of the specific contracts in respect of which we sought confirmation."

The letter warned clients who had effected cover through the broking firm that if the cover purported to be with the Commodore group, "you would be wise to assume that you may not have effective cover".

The letter further pointed out that Tether Insurances might be trading under the name or general trading name of the Wymark-Tether group, but the companies comprising the Wymark group had no association whatever with R Tether Insurances.

Commodore reports $1.87m premiums income; $82,000 paid out

by Rae Mazengarb

COMMODORE General Insurance Co Ltd — the Hong Kong-based insurance company for whom R Tether (Insurances) Ltd claimed authority to write insurance — in March this year published its first report and financial statements since its incorporation in September 1977.

The report includes a mixture of Hong Kong and American dollars.

The company achieved "satisfactory results", according to its chairman, Peter Lo.

Premium income for the period was $1.87 million.

Profit for the period was $884,000. Less bonus issue of $314,000 and transfer to contingency reserve of $500,000, unappropriated profits of around $70,000.

The revenue accounts show claims of around $82,000, including all claims reported, settled and an estimate of the outstanding liability in respect of claims not yet notified.

During early 1979, the company increased its paid up capital from HK$5 million (NZ$.96 million) to HK$12 million.

On February 27, 1979, it issued 5,500,000 7½ per cent convertible, redeemable, non-cumulative preference shares of HK$1 (around 20 cents New Zealand) at par payable in cash.

Next day the company made a capitalisation issue of one preference share for every seven shares. This resulted in the number of preference shares being increased by 1,500,000 to 7 million.

"Adequate reserves have been established to meet outstanding losses and also to satisfy any losses occurred but not reported to the company," Lo said in his report.

"Careful selection of business offered to the company will be maintained and the accumulation of risk factor will be professionally taken into consideration."

He said: "It is still the underwriting principle of the company to specialise in direct business with an incidental facultative and treaty account being included in the overall portfolio . . . Liability business as such is not actively sought and the company will not enter into competition with other insurance companies merely for the sake of procuring premium income."

The report of the directors refers to outstanding premiums of more than $3.1 million and says: "The directors would like to stress that the major portion of outstanding premiums relate to the incoming portfolio and, in particular, proportional reinsurance treaties. In this particular regard, the development of paid premium income is, by the nature of such treaties, slow."

Carriers put finger on fuel 'savings' method

A RUSH on short supplies of diesel is creating problems for the transport industry and is casting doubt on the success of the Government's fuel conservation policy.

The Government is relying on oil companies to cut back service station resellers to 90 per cent of their 1978 allocation, but carriers are complaining that the system is full of bugs.

Equally, resellers are not prepared to do the 'rationing' job themselves and are selling diesel to whoever wants it, thereby creating further difficulties.

Government secrecy, added to tight-lipped oil companies, mean no figures are available for the distribution of diesel. But carriers claim their recent experience of the cutbacks make a mockery of the Government's proclaimed intention to conserve fuel.

Cabinet decided on June 26 to restrict bulk deliveries of fuel to 90 per cent of 1978 levels (95 per cent for rail and bus operations), having previously set the level at 100 per cent of 1978 use.

When the transport section of the Demand Restraint Advisory Committee met in late July it became clear that the decision was restrospective to the beginning of April.

The Government also set aside 3 per cent of diesel supplies as a special reserve and set up procedures by which users could draw on the reserve in special circumstances.

Carriers are claiming however, that the system has several unsatisfactory aspects:

- The oil companies' approach to the distribution of available supplies is inconsistent with some being tighter on the 90 per cent rule than others;
- At the local level, oil company reps do not always follow their head office's instructions;
- Bus operators get a larger percentage allocation than carriers.

Carriers say that putting the service stations on allocation is not the same thing as putting each customer of that service station on allocation.

It means that when the reseller gets his diesel supply he can — and does — sell it to whoever comes along, although normally there's some reluctance to sell to 'new' customers.

This in turn means that long distance freight operations like furniture removals are making toll calls to arrange supplies before setting out on a journey.

At the same time other carriers are shopping round the service stations to top up the tanks leaving their regular supplier alone. This then allows them to get 90 per cent from their traditional source plus whatever they can cadge from someone else.

Too widespread a use of that practice will make a mockery of the whole notion of fuel conservation as carriers use fuel to buy fuel.

Already one firm in Palmerston North is running its trucks out to Bunnythorpe to get supplies.

Another bone of contention is the inherent unevenness of a blanket allocation system. Because it takes no account of climatic factors, the fluctuating amount of work available in a district, such as a change in lambing percentages or the start or finish of a major contract, supply and demand necessarily must be out of kilter.

Heavy vehicles use about 22 per cent of the country's diesel consumption and buy about 40 per cent of that from retail outlets. Resellers have neither the means or the intention of doing the allocation job.

Perhaps the biggest bone of contention is the boom in sales of diesel storage tanks for farms and businesses since the 'fuel crisis' started.

A large amount of stockpiling is going on, with firms and farms shopping round for their daily requirements to avoid running down their own reserves.

Carriers, among other groups in the commercial community, are critical of the lack of co-ordination in the Government's energy policy, particularly among the Ministries of Energy, Works and Development, and Transport.

The situation is blurred by a consistent lack of hard information on which the private sector and the community in general can properly base its response to the Government's moves.

EDITORIAL

BUSINESSMEN have been thumped in various ways by recent Inland Revenue Department activity.

There was newa, for example, that increasing numbers of New Zeatonders are getting into tax debt.

By the beginning of August, there were 100,000 unpsid debtors.

The department is adopting new procedures to tighten collection in its crackdown on tax debtors. According to the Commissioner of Inland Revenue in Auckland, Aubrey Pascoe, some defaulters will be given no mercy.

And employers who have deducted PAYE tax from employees' wagea but not paased it on to the department, were reminded that they face imprisonment and fines. Others cao expect bankruptcy proceedings against themselves or their companies.

Pascoe noted that this type of offence becomes more noticeable during tlghter economic conditions. And the department's annual report shows the number of prosecutions for failing to deduct or account for PAYE tox shot up from 67 in 1977-78 to 109 in 1978-79.

According to a tax consultant, the depsrtment is in no mood to be conciliatory in negotiations. He cited the caso of a client who offered the department $100 a month to pay off a two-year tax debt—but the department allegedly insists on bankrupting him any way.

Working overseas might appear to be one way of dodging the "fiscal fiend." But taxmen are cracking down also on New Zealanders who work overseaa for long perioda and do not pay tax onywhere. People who work for New Zealond orgnnisationa for more than 15 months, but who keep their New Zealand residential status, therefore can no longer expect to ovoid tax in other countries.

The new ruling came to light when an employee of an agricultural company was required to psy New Zealand tax while overseas and being paid by his New Zealand employer.

The decision is belog appealed. If it is upheld, a number of consulting companies which work internationally seem likely to lose their competitive edge. They would not be able to afford the extra wage bills that would be necessitated by tax deductions in s business activity which requires the hiring of international experts. Yet these service industries generate hundreds of thousands of dollars in overseas funds each year.

Bualnessmen are threated from another quarter. The commisaion of inquiry into the taxation of trovel ollowances is likely to scrutinise tax on company cars. An eatimated 50 per cent of cars built in New Zealand are bought by companies, and about 23 per cent are used by sales representatives, according to one report.

Businessmen will argue that these vehicles are a tool of the trade, like typewriters or whatever. But compnny csrs are known to be used widely in leisure motoring and their use discourages efforts to slash fuel consumption.

Whatever view is taken, it is inevitable there will be howls of protest from the business community if the business cor's tox status is threatened.

Of course, Inlond Revenue activities bring sharply into question direct taxotion levels in this country. The Government will collect nearly $1000 million more in income tox this year than last year, according to Budget night figures. Thot will be a grand total of $4560 million in income tax—a hefty rise of 25 per cent.

Last week, MP Marilyn Waring produced several examplea of waste in state spending. She didn't have to mention the multi-million dollor Marsden B fiasco to generate concern.

But moybe Inland Revenue, at least, can be exempted from talk about Govemment inefficiencies. It is obviously doing its damndest to help the Government raise the money to pay for state blunders and to cut back the politically awkward internal deficit.

Bob Edlin

IT ALWAYS pays to read the fine print — as one would-be subscriber to Newsweek discovered this week.

A peraonally addressed letter invited her to "try it (Newsweek) now ot an unbelievsbly low introductory rate: 36 weeks for only $12.60 — just 35c a copy. Thot's 50 per cent off the news stand cover price of 70 cents a copy!"

Then, under the signoture of Bernard J. McMahon, "circulation administrative manager, South Pacific", it added, breathlessly:

"PS For extra savings, subscribe for 52 weeks at only $18.20."

Grest, thought the lucky recipient. She reached for the reply card and prepared to sign on the dotted line.

Thsn she noticed the wording on the card.

"Newsweek's introductory offer — at 33.3 per cent off cover price," it said. "Yes send me 36 issues at just $14.40," or "I prefer 52 issues at only $20.80."

Well, actually, Bernard J McMahon, she would have preferred 52 issues at $18.20. But the rate of price increase worried her a bit, so she's sticking to Time.

We suspect readers will carefully scrutinise their next special offer from Fourth Estate.

●

YOU have only to read the papers to know that our country's destiny is secure in the hands of cabinet ministers with lucid, decisive, original and quick thinking minds.

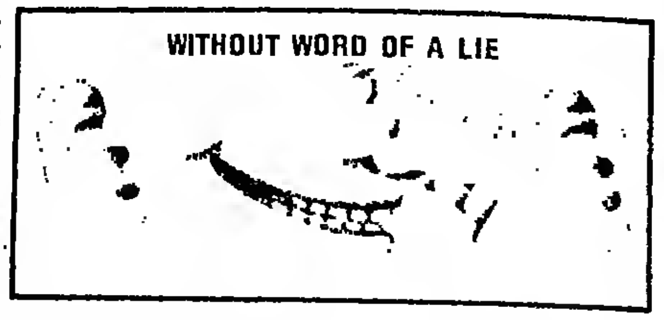
Talking about solid fuel heaters, Bill Birch said: "I consider that it would be appropriate to consider whether the soles tax on solid fuel appliances should be removed in conjunction with the ministry's submissions".

There you are — straight from the shoulder, no vacillation — he thinks it's all right to think about it.

Then there ore the thoughts of chairman Ben Couch, after presiding over a meeting of gang leaders. "That proves to me there is a bit of good in the worst of us and a bit of bad in the best. The way to hell was paved with good intentions. I want deeds rather than words."

Pure poetry. Worth committing to memory for the next time you're asked to write in an autograph book.

WITHOUT WORD OF A LIE



●

AUSTRALIAN Prime Minister Malcolm Fraser has nothing on our Rob Muldoon when it comes to a bit of union bashing at the public expense.

But there is certainly a difference in style. Fraser placed full page ads in the papers, titled "in the national interest a message from Malcolm Fraser on behalf of the Government of Australia". Presumably the Government paid for the ad.

Muldoon, when he had a bit of fine tuning to do on the workers' wages, just dropped a few hints that he had something important to say and radio and television were there panting and ready to jump through the hoops.

So while Fraser descends to the level of political paid advertisements Muldoon gets his material treated as hard news on prime time slots.

And considering the plight of Broadcasting Corporation finances, can chairman Ian Cross and his colleagues afford to give away potential advertising revenue?

IN THE NATIONAL INTEREST

A message from Malcolm Fraser on behalf of the Government of Australia.

●

MOUNT Cook Airlines, the Tourist Hotel Corporation and The Northerner newspaper have jointly sponsored a holiday story competition: First prize, a trip for two to sunny Northland and $100 spending money.

The winner was a Mrs Helen Topless, with her story "A Joy for All Seasons". And those who passed the language test with flying colours during Maori Culture Week may wryly smile at noting that Mrs Topless lives in a Taranaki township called Urenui.

●

THIS country's Jack's-as-good-as-his-master ethos makes stafting the nation's hotels a tricky business.

It seems the corollary to this ethos is that service is servitude and despite our high levels of unemployment Kiwis don't want to be seen behind the bar, waiting tables, or making beds.

This appears to be the underlying cause behind the fact that about half the Tourist Hotel Corporation's hotel staff are foreigners — mostly Aussies.

To get staff, the THC has to advertise in Australia for young people interested in a working holiday in New Zealand. Prospective employees are offered ... work in three to four ... throughout this country ... employer-paid travel ... jobs.

The Aussies get three weeks off between ... various locations to give ... time to see our country.

And where are the ... Kiwi hotel workers?

According to a THC ... many of them are working in Australia. It's not the ... work in a hotel is unattractive in itself, he explained ... being seen doing the ... one's friends and ... that is seen to be ...

Shades of the ... hit: I'll join the Legion ... what I'll do, and in ... distant region find ... hearts more ... somewhere, elsewhere ... waiter can be a man.

●

IF it ever comes to ... and New Zealand's ... tea party the cause ... will most likely be ...

The tax on pottery has customs men ... through the paddocks ... down those bearded ... individualists, the ... potters. It seems ... refusing to ... Muldoon's tax collector.

All of which is ... reminiscent of the ... Federal revenuers ... mountain stills ... white lightning and ... old mountain dew.

Judging from the ... rugged resistance ... their kilns from ... tion, it is not hard ... up a Kiwi ... hillbilly, "shoot ... we need the ...

And it's not ... who crib ... Government ... collectors ... muffled ...

Take, for ... commercial ...

This is not an ... of paper is tax ... that same pile of paper with a bit of glue down one side forming it into a pad ottracts a 20 per cent tox.

A circular is exempt — a commercial form toxable — odvertising exempt — letterheaded stationery taxable, and so on.

What really gets the printer's goat is thot anything printed on a Xerox copier is exempt while the sama product from his printing press attracts tox.

Xerox has copiers that do virtually the same job as a press and the 20 per cent tax on the some job done on a press cuts the old style printer's competitive edge.

The initial justification for the tax on printing and not on Xerox was that Xerox machines attracted a hefty tax on importation not levied on printing presses.

This ond other anomalies are moking the customsman's life a nightmore os he goes from pot to pot deciding which is a work of art, which a bit of tableware, and which an ornament. All of which adds cost, generates more work for more bureaucrats, and by this commodious progression back to the need for more taxes and so on.

●

THE electoral office's problems with the 1978 election are not yet over. The officiol return tabled in Parliament recently adds bits to the saga.

For one, there are some mysterious gaps in three electorates, Heretaunga, Hunua and Island Bay, no votes are recorded for "civilians not on roll whose votes were allowed".

This is odd, since in the other 85 general electorates an average of 323 such votes were recorded, the lowest being 63 in North Shore.

It is odder still, in that the Hunua result is said to be the "recount resulting from Hunua Election Petition Court" which went deeply into the question of whose votes should be allowed, yet the "civilians not on roll whose votes were allowed" figure was said to be "not available".

Second, the E9, as the official result is known, shows up in stark relief the oppalling state of the electoral rolls.

In seat after seat, figures of those qualified to vote are within 1000 or so of the totol population recorded for that seat.

Examoles: Auckland Central, 33,755 qualified to vote, 34,591 population; Christchurch Central, 31,956, 32,218; Islond Bay, 32,433, 33,783.

More startling still is Eden, where the E9 claims more were able to vote than the total population living there at census time two years earlior — 35,868, compared with 34,252. The same goes for Wellington Central — 39,435, compared with 35,040.

There is more is to come for the shiny new Minister of Justice, Jim McLay, who is said to have given special instructions this E9 was to be correctly added up.

The totol of "alactors qualified to vote" is given aa 2,489,510. This is said to be the total of "electora on roll", "civilians not on roll whose votea were ollowed" and "servicemen not on roll who voted". Those three categories included, according to the E9, 2,487,594, 28,894 and 6 names respectively — a total of 2,516,494, according to National Business Review's pocket calculator.

Then there is the total of "electors who did not vota", said to be calculated by subtracting tha "number of electors who recorded votes" — given as 1,721,443 — from the "electors qualified to vote" — given as 2,489,510.

The NBR calculator gives that result as 768,067. The E9 gives it as 768,063.

The simple explanation for addition and subtraction seems to be thot are attributable to the missing Hunua figures for "electors qualified to vote" ond "number of electors who did not vote".

If so, then the electoral office's problems moy not be of their own making, but of the Electoral Courts' making.

Still, one might have expected the electorol office to have made it clear on the table, to guide us simpler souls through the tangled web.

And it seems odd that some formula could not have been devised to make the figures consistent, so that they make more obvious sense — to the general public and to the future anolyst.

We turned up these apparent inconsistencies in a few minutes perusol of only one table. We do not know whether other delights lie in store for someone with the time to mine deeply.

●

THE cocktail party guest was chatting amicably with one of the hosts at yet another national day function during the Wellington Trade Fair last week.

By the way, he said, he was well acquainted with so-and-so at the embassy—did his host know that person?

The host didn't, and the guest seemed a mite surprised. Surely...

But it transpired the guest's friend wos on the West German Embassy staff in Wellington. And this particular cocktail party wos being run by the East Germans, who had travelled from Australia for the trade fair.

The host took no umbrage, except for wryly observing: "So you don't know whose party you are enjoying?"

●

ADVOCATES of price control in these dire economic times might take o lesson from history.

Price controls nearly lost Americons the revolution according to Robert Schuettinger and Eomonn Butler in their book "Forty Centuries of Woge and Price Controls."

It aeems thot George Washington was camped at Valley Forge in the winter of 1777, besieged by British forces and price controle. His army was nearly starving to death.

Why starving? Becouse of well intentioned price controls established by the Commonwealth of Pennsylvania for those commodities needed by the ormy.

In theory, the controle were to reduce the expense of supplying the army and lighten the tox burden on the populace.

But the farmers held back their produce, refusing to sell at what they saw as an artificolly low price. Some sold to the British enemy for gold.

After Washington's terrible winter at Valley Forge, the 1778 Continental Congress passed a resolution against any price controls as "not only ineffectual for the proposed purposes, but likewise, productive of very evil consequences to the great detriment of the public service and grevious expression of individuals . . . ."

"Aye lad, the countryside has certainly been ruined—when I were a lad all you could see from here was cotton-mills."

BROCKIE'S VIEW

Editor: Bob Edlin. Editorial: Ralph Green (Production Editor), Rae Mazengarb, Colin James, Belinda Gillespie, John Draper.
Advertising Manager: Paul A. C. S. Loh, (P.O. Box 9344, Telephones 736-878, 859-019, Wellington.)
Auckland office: Editorial, advertising inquiries: Warren Berryman, Telephone ...
Published by Fourth Estate Newspapers ... Street, Wellington. Printed by R. Lucas & Son ... Ltd, 15 Bridge St, Nelson.

Appeal judge raps air licensing authority on knuckles

THE Air Services Licensing Authority has been given a sharp rap over the knuckles for what is described as a "woefully deficient" transcript of evidence presented to the Air Services Licensing Appeal Authority (Mr W J Brown, SM).

The Air Services Licensing Authority should review its method of recording evidence without delay, said the Appeal Authority.

If it presented him with a similar transcript in future, said Brown, he would have no hesitation in referring it back.

He made these comments in a written decision on an appeal against a licensing authority decision declining an application by the Southland Aerial Co-operative Society Ltd, Invercargill, for the provision of aerial topdressing, aerial liquid topdressing and aerial spraying services.

"But for the fact that the examination-in-chief of the various witneses was produced in typewritten form and the submissions of counsel were of such a high standard," said Brown, "I would have found it almost impossible to have determined the appeal and would have had no alternative but to refer the appeal back to the authority for a full rehearing.

"The transcript was lengthy and there were a tremendous number of gaps in the record. In many instances answers to vital questions were simply not recorded.

"It is imperative that the authority urgently review its method of recording evidence. Its best course would obviously be to use the services of a highly skilled shorthand typist. Bearing in mind the importance of the applications it hears, surely such a typist could be found?

"Instead, some form of tape recording apparatus is being used. Having regard to the deplorable nature of the present transcript, either the equipment is quite unsuitable or it is not being operated correctly. I require that this matter be fully investigated.

"If a similar transcript is placed before me again, I will not hesitate to refer the appeal in question back for further consideration and, indeed, for rehearing.

"Such a course causes considerable costs, delays and inconvenience, but it is the only course open to an Appeal Authority if justice is to be done."

Brown said a further unsatisfactory feature about the transcript of the authority's hearing was that ("bad as it is") it did not reach counsel for the appellant till five days before the appeal was heard.

"This is most unsatisfactory," he added. "I trust there will be no repetition of such action."

In the event, Brown did not allow the appeal.

Dismissing it in a 14-page decision, he said the society had failed to prove that the service it offered was necessary or desirable in the public interest.

The society had applied for a licence to enable it to continue a business it had built up illegally.

The application presented no evidence to indicate that it could reduce costs and its argument that it gave farmers an opportunity to share in co-operative ownership in an industry of vital importance to farmers was not valid.

Accommodation Council questions incentive scheme implementation

ACCOMMODATION interests want the new Budget incentives for tourism deferred and revised to take away the uncertainty they claim is built in at present.

Their particular bone of contention is the 10 per cent tax rebate or cash grant the Government proposes to give firms selling tour programmes overseas which earn foreign exchange.

The scheme becomes operative from the beginning of the new financial year, and gives a rebate or credit of 10 per cent of the value of the foreign exchange brought back to New Zealand to the organisation which does the selling.

A vital part of the scheme however, is that the benefit should be shared among those firms providing various parts of the package which the overseas tourist buys.

It's precisely this which has disturbed the Accommodation Council.

For a start they were not consulted before the new incentive was introduced in the Budget, and spokesman Graeme Coyle says that did not please the council.

But its the basis on which the benefit is to be shared among the actual seller of the package, the wholesaler in New Zealand, the hotel-motel, the ground operator and the operator of tourist attractions, that the Accommodation Council wants changed. (NBR July 11).

An inherent part of the Government's thinking was to leave it to the tourist industry, and 'market forces' to do that job.

Coyle says the accommodation industry doubts whether the market forces are present to force a sharing of the benefits.

Tourism Minister Warren Cooper said however, in his Budget statement on the new incentive that: "it is a basic concept of the incentive that, although available in the first instance to the final seller, market forces will ensure that there is a flow on to those who actually provide the service."

Coyle says the accommodation people fear the larger firms will get the lion's share of the benefit.

He says firms which sell their own programmes overseas as well as providing some of the New Zealand content from their own resources (hotel beds for example) are going to be tempted to take more for themselves than they will give to an operator which is not part of their overall group.

He says that will give the privately owned hotel or motel less of the incentive's benefits than the accommodation arm of a major tourist chain is going to get.

The council has written to both Cooper and Rob Muldoon seeking consultations before the scheme becomes operative.

Promotion pool offers entry to bonanza

by Warren Berryman

CRACKING the rich California consumer market would bring bonanza rewards to any New Zealand exporter.

Trouble is, even the largest of New Zealand firms are mere minnows in this highly competitive and professional pond.

Competition in California means competing against the world's best and against companies whose promotional budgets are far larger than most local firms' gross turnovers.

Network Communications brought its man in Los Angeles, Wallace Jamie, to this country to give the New Zealand exporter an American's eye view on how to succeed in the United States.

Speaking to an Export Institute seminar in Auckland, Jamie seemed well aware of the financial constraints facing our exporters making it impossible for them to compete in the mass advertising market in such cities as Los Angeles.

Los Angeles has 14 TV stations, 80 radio stations, and 60 newspapers, Jamie said. And advertising costs were high.

Jamie pointed to a few possible alternatives. New Zealand firms could pool their efforts in a promotion of all New Zealand products or to promote a range of similar products — for example woollen goods.

Creative marketing was another alternative to mass advertising. And good public relations was cheaper than advertising, he pointed out.

Jamie teaches public relations at the UCLA.

"I flunk the students in my public relations courses if they do not play back to me in the final exam that the difference between advertising and public relations is that in advertising one buys space in the print media or time on the electronic, whereas in public relations one writes or develops material with such appeal, and presents it in a service-oriented context, so that newspapers and magazines accept it, without payment for the space or time", he said.

"One editorial placed in the right magazine . . . a brief interview on a right radio or television talk show . . . or the right product launch function can make your promotional dollar go further" he said.

As to creative marketing, Jamie said the exporter did not have to cover the whole country or even a whole city.

New Zealand could promote itself as the Irish did with their Irish Fortnight, including demonstrations of Irish Mist cosmetics and glassware, Waterford Crystal honey jar filled with scented rocks.

Or we could do something like the in-store promotion of the Orient done by Chicago's Carson Pirie Scott complete with a 16-legged tap-dancing dragon.

More suited to New Zealand, Jamie suggested, was something like a British Government promotion in Los Angeles.

The British Consul arranged a 13-week series on British technology on channel 22 TV. The series was backed by sponsers ranging from Lloyds to the British Tourist Agency, Jamie said.

New Zealand's image in California, Jamie said, was one of an unspoiled land in the South Pacific. And it was this naturalness that should be used to promote our products.

"Don't be fooled into always competing on price. Go for uniqueness. Some Californian can be sold anything if it's special," he said.

Concrete mixer design earns competitive edge

by Helen Vause

IT'S hard to get excited about concrete mixers — unless you've just secured a half-million-dollar order for them from the United States.

Auckland manufacturer Lane Abel first broke into the United States market in April with a modest $60,000 order for concrete mixers. Now his East Tamaki company, Lane Abel Ltd, is working to fill a $525,000 contract within the next 12 months and gearing up for a multi-million dollar business in the next few years.

The company had been involved predominantly in materials handling equipment, but had also been manufacturing concrete mixers for about 20 years.

The local market for the concrete mixers was rolling, the export picture for the then bulky and awkward machines was gloomy.

Lane Abel felt that perhaps the time had come to forget about the concrete mixer. The other option called for a major design overhaul.

"After 20 years work I was reluctant to let go. The product was good but making it superior lay in much improved design," said Abel.

The result of his work was a 50 per cent reduction in the size of the packaged mixer. It would fit into a 30-inch square box with its components doubling when packaged as supporting and protective structure of the packaging.

Fifty-four of the packaged mixers could now go into a standard shipping container, giving major savings in freight and assembly. This gave Lane Able the competitive edge to break into the American market.

The design was right, but the initial marketing approach was not. The company sent amateurish photographs to the United States.

"To the Americans it was just an obscure looking bag of bolts. It was too expensive and they had no shortage of concrete mixers anyway."

"The American market is hard to crack," says Abel.

But Abel took the mixer to a convention of hire yard operators in Los Angeles in February and came home with the initial $60,000 order.

AMP offers marketing boost

(Continued from page 1)

shareholdings had to be transferred to a new company.

The AMP Society — which has traded in New Zealand for over 100 years — will hold the shares in the name of a wholly owned New Zealand subsidiary to be known as AMP Financial Services (NZ) Ltd.

The company's board will be composed entirely of New Zealand residents, and all profits derived from the business will accrue for the benefit of the society's New Zealand policy-holders, Chalten said.

Perpetual will continue to operate under its existing name with its head office remaining in Dunedin.

Perpetual's services will be marketed by AMP representatives, a factor which is expected to boost the company's growth.

To prevent Perpetual's collapse when it met with difficulties in 1975, the Government passed the Trustee Companies Management Act which required a specially constituted board of directors.

The Amendment Act was passed last year, after a breach of trust action had arisen from an investigation into the circumstances which led to Perpetuals difficulties in 1975.

Introducing the Bill, the Justice Minister Thomson said: "If the court holds that there were breaches of trust the liability of the company will most likely be more than the net worth of the company together with the reserve liability of $10 per share". The Amendment Act ensured, the company could be taken over with its liability qualified, a more attractive proposition for bidders.

Paul Hanrahan
Richard Hook
Tony Stevens
Charlie Sutherland
Mark Ackerman
Andrew Mazey
Mike McCabe

Look at the seven young men on the left.

What you see are seven of the country's most promising advertising men.

But something went wrong.

They left Colenso.

Now look at the seven men on the right.

What you now see are the same seven men.

Older yet wiser.

They came back to Colenso.

In an industry where people traditionally lit from one job to another frequently, why did hey all come back?

Sure, you could say it was because Colenso pays well.

But there is more to it than that.

In advertising, more than any other business, money means nothing unless the great campaigns get through the agency, through the client and into the media where the real world can see them.

And most important, to then sit back and watch them play magic on the cash registers.

They all came back. Because at Colenso, these things happen.

Things like Jockey.

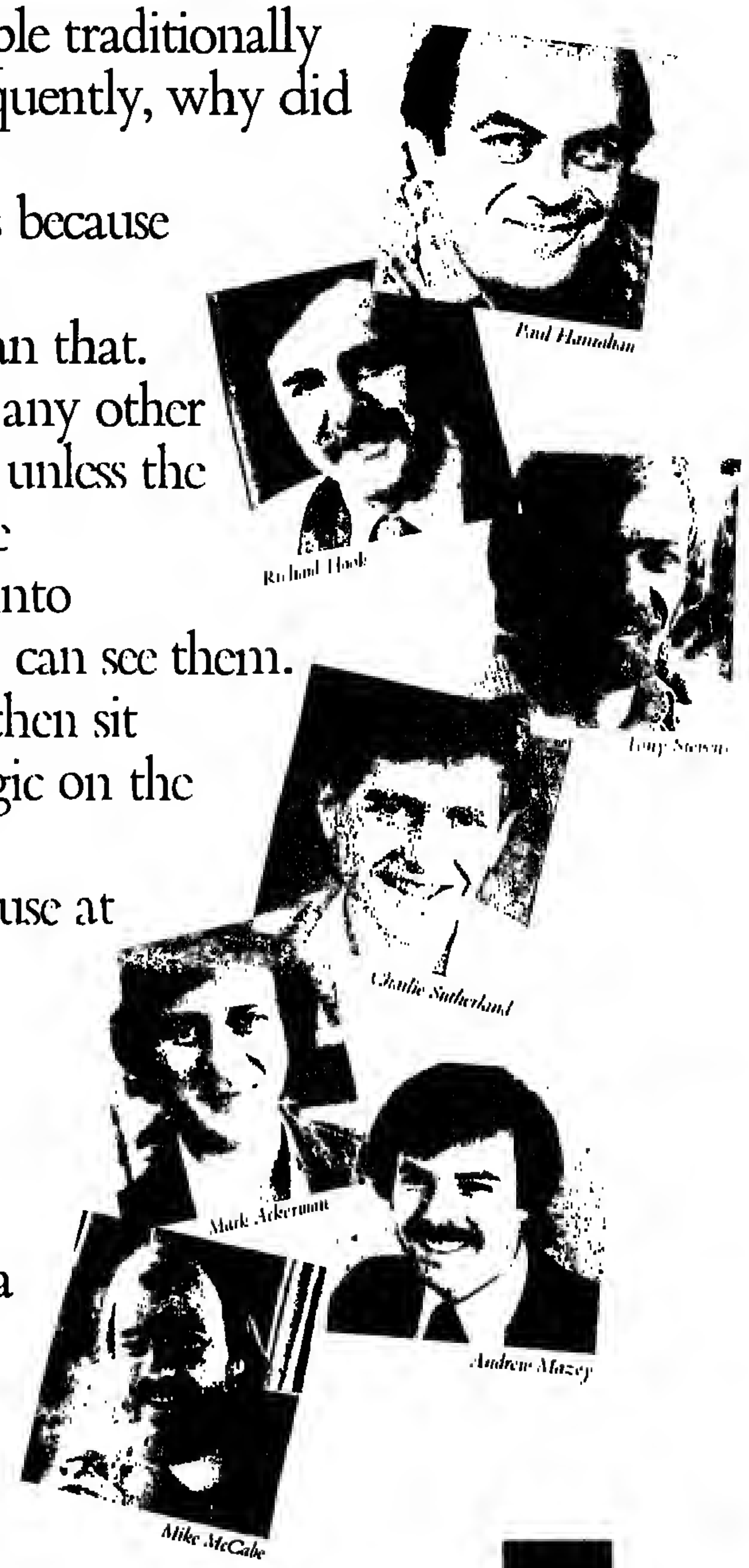
Hertz.

BASF.

Try the Colenso style.

You'll be surprised what a little dab will do.

COLENSO
AUCKLAND AND WELLINGTON



Paul Hanrahan
Richard Hook
Tony Stevens
Charlie Sutherland
Mark Ackerman
Andrew Mazey
Mike McCabe

We came back.

Terms of trade: what goes up must come do[wn]

Economic Correspondent

JULY 31 brought some good news from the Government Deputy Statistician. New Zealand's terms of trade are the highest they have been for five years, according to Steve Kuzmicich.

On a base of 100 in 1957, the terms of trade in the first three months of this year were 90. Though still below the 1957 level, the terms of trade have improved dramatically from a low-point of 70 in 1975.

In the four years since then, export prices have gone up by 91 per cent and import prices by only 46 per cent.

Unfortunately, it does not seem likely that the terms of trade will rise much above the level of 90 established in March. In fact, the June quarter terms of trade may be a fall on the March figure, mainly reflecting the rising costs of crude oil.

The terms of trade are subject to much analysis by economists. The table shows how they are calculated from indexes of export and import prices.

What the terms of trade measure is the relationship between export and import prices. They show how many units of imports can be purchased for a fixed quantity of exports. Index numbers are used to express the trend in the terms of trade.

Usually the terms of trade are based on the level of export and import prices in 1957. That year is arbitrarily chosen by the Statistics Department as the starting point where a unit of exports could purchase a unit of imports.

As that table shows, the terms of trade have fluctuated considerably since 1967. In most years they have gone against New Zealand, or in other words, import prices have increased at a faster rate than export prices.

THE ECONOMY

So it is real cause for celebration when export prices begin to increase at a faster rate as they have over the past year.

The terms of trade reached their peak in June 1973, before the oil crisis caused a huge escalation in import prices. Even with export prices increasing by 23 and 24 per cent in June years 1976 and 1977, the terms of trade still went against New Zealand because of an even faster rate of increase in import prices. In both 1975, and 1976, import prices rose by a massive 32 per cent.

One reason the balance of payments have remained in deficit since 1974 is that the terms of trade have been unfavourable.

But even with the terms of trade against us, it is possible to improve the balance of payments situation by increasing the amount we export. So the race is now on to make sure that export volumes keep rising.

In 1976, when the terms of trade reached a record low for the decade of 72, the balance of payments deficit improved. Although world prices were unfavourable to New Zealand, export volumes increased by over 16 per cent in that year. Of course, the balance of payments deficit was reduced even faster in the following year when the terms of trade improved and export volumes continued to rise.

This year, the balance of payments deficit is expected to go below $450 million for the first time since March 1974, mainly because of the improvement in the terms of trade and the still large increases in export volumes.

But current developments overseas suggest that the reverse is likely to occur during the latter part of 1979 and in 1980.

The terms of trade may go as low as 75 in June year 1980. Export volumes may start to grow less rapidly, despite export incentives, and the balance of payments deficit will begin to grow again.

The main cause of world inflation over the next year or so is again oil price rises.

Oil prices may go up by as much as 50 per cent. The effect of oil price increases is two pronged. Not only do oil prices accelerate inflation's growth rate, but they also contribute to slowing the growth in output of countries dependent on imported fuels.

Most New Zealand trading partners suffer from the effects of increased oil prices.

The United States economy has already entered a period of slower growth and continued difficulties in solving energy problems may lead to a full scale recession.

While some of our other trading partners will not suffer economic decline similar to that in the United States, the rest of the world will be buying fewer imports in the next year or so.

This is not very good news for exporters in New Zealand. Since many of our agricultural products face quotas, the volume of traditional trade may not fall. But this is hardly the time for new ventures to meet with instant success in overseas markets.

In short, at the very time we are planning increased export volumes, the rest of the world is not in a buying mood.

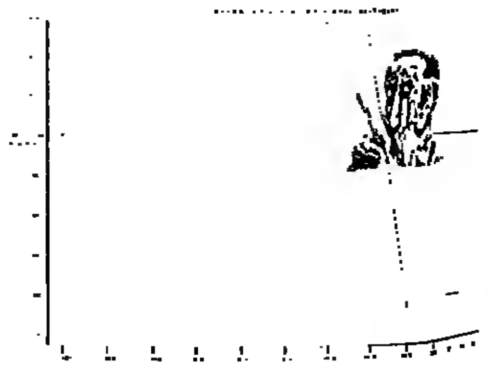
And while farmers may be able to market their product overseas, their production may fall as they face smaller incomes from declining export prices.

Wool growers [...] strong start to [...] selling season. Meat [...] have already had a [...] average year with [...] prices for beef and [...] though a less lucrative [...] lamb. Receipts [...] manufactured exports [...] more than 22 per [cent] [...] year.

Brighter days are [...] for the economy. The [...] shining now, [...] brightly. Optimism [...] future is misplaced. The [...] year to build up [...] because next year, [...] terms of trade [...] things will be even [...]

TERMS OF TRADE
(Index Base 1957 = 100)

June Year	I Export Prices Index	II Annual Change Per Cent	III Import Prices Index	IV Annual Change Per Cent
1967	99		98	
1968	97	-2	108	10
1969	107	4	121	11
1970	109	2	126	1
1971	112	3	131	4
1972	130	16	140	[illegible]
1973	165	27	147	5
1974	185	12	185	12
1975	169	9	218	11
1976	208	24	289	32
1977	258	24	328	11
1978	271	5	351	[illegible]
1979 (est.)	316	21	362	3
1980 (est.)	349	10	392	25



NBR BUSINESS WEEK

Rural sector heads toward a good season

by Peter V O'Brien

THE 1979-80 season should be good for farmers, and therefore for the whole economy. There are problem areas, which will become clearer as the spring and summer progress, but the rural sector of the economy, and the industries which depend on it, have advantages to offset against the potential problems.

The present winter has been comparatively mild, although considerable rainfall may not be to everyone's liking.

The preliminary report of Challenge Corporation last week commented on the mild winter, and then referred to farmer confidence.

Corporation chairman Ron Trotter said "farmer confidence has been boosted by the minimum price scheme, and their increased investment will result in greater production". Trotter forecast that "farming appears headed for another year of good prices for meat and wool".

The latter point received confirmation from prices at the opening wool sale of the season, held at Dunedin on August 17. The official report says crossbred prices were 30 per cent higher than at the same time last year, while halfbred wool gained about 20 per cent in the same period. Prices for halfbred wool were about 10 per cent above the Dunedin June sale. No retention levy was applied because the trigger price of 300 cents a kilogram was not exceeded.

Continuation of the trend will give sheep farmers another healthy rise in incomes, although higher input prices throughout agriculture will erode real profitability this year.

Wool regained buoyancy after a difficult year in 1978. The Reserve Bank's overseas exchange transactions figures for the year ended June, 1979 show that receipts for wool, at $729.5 million, were 17.6 per cent above those of 1977-78, although only 6 per cent higher than the $687.6 million in the OET for the 1977 June year.

The optimistic comments of Ron Trotter contrast with the slightly cautious views expressed by Allied Farmers chairman, Doug Hazard. The Allied Farmers preliminary report suggested that profitability this year might be lower than in 1978-79, a statement which may relate to the effect of inflation both on farmers and on stock and station companies, which depend heavily on farm income.

Most of the improvement in farming and its service industries over the last year was anticipated, and could be verified when the Reserve Bank published the June year exchange transactions statistics.

Total export receipts for primary produce, including milk powders, "other dairy products" and "other animal products" reached $2890.7 million, compared with $2430.3 million, a rise of 19.3 per cent. Meat was the strongest commodity, with receipts going from $896.6 million in 1978 to $1196.4 million, a movement of 33.4 per cent.

Production levels this year are likely to be higher, subject to no sudden snaps of snow and other bad weather which might affect lambs, but other issues have to be considered.

The EEC's stance on butter exports is the main medium-term problem.

New Zealand is entitled to export 120,000 tonnes of butter to Europe in 1979 and 115,000 tonnes in 1980. But the EEC agriculture commission's draft report on future exports calls for adjustment of both figures, and a new system after 1980.

Summaries of the report published in this country show a significant change of wording from previous documents. They used to talk about a "permanent" arrangement after 1980, but the word has now been changed to "lasting", an expression which could mean regular revisions of quotas, levies and the other paraphernalia which the EEC uses to handle its farm problems, particularly surpluses.

Negotiations will start soon on the draft, and the result may differ from the recommendations.

But any draft is a starting point for such negotiations, and we now find our negotiating base lower than the previous level. That could be a problem in the next year or two. Diversification can be undertaken, but time is essential.

There is no present world market for the 100,000 tonnes or so which New Zealand has been sending to Europe, in spite of growing trade with China (total exports of all products last year worth $61.6 million, compared with about $25 million in 1977-78 according to a Press Association message from Hong Kong last week) and successful contracts with the Middle East.

Meat prices are easing a little, and in the period through to the end of 1981 could come back as the "beef cycle" moves into its next phase. High prices for beef followed reduction of herds overseas, mainly in the United States, when the previous low prices made it costly to retain grain-fed stock on farms. The herds are building up in line with the price increase (which spilled over to massive price increases for hides, skins, and the resulting leather goods).

The next stage of the cycle will be higher slaughterings. At that point prices will retreat, it will be expensive to retain cattle, and the process starts again, pushing prices down further. (The "beef cycle" is an example of the mob instinct which regularly distorts world commodity markets.)

The international market for sheepmeats looks better than beef in the next 18 months to two years, although internal conditions here could affect farmers in that product.

Another relatively incident-free season in freezing works would relieve pressure in the sheepment trade, provided industrial disputes are also lessened in the support industries needed to carry stock and ship it from the country.

Taxation could be an indirect problem. Farmers will pay much higher taxes in March 1980, and will be up for another substantial contribution in 1981 if the present season comes out according to projections.

Tax is only paid if the incomes have risen, so it reflects better conditions, but liquidity in the service companies will tighten as farmers use their "bankers" to find the money.

The rest of the economy should hope that farmers do well this year. We need every dollar of overseas funds which can be earned from primary produce.

Key indicators

		Current Period	Previous Year	per cent change
Consumers Price Index — all groups base Dec 1977 - 1000	June 79 Qtr.	1177	1047	+12.00
Building Permits Issued	Feb 79	$1120.1m	$57.7m	+39.00
	Feb 79 yr	$1043.6m	$1106.7m	+1.2
Official Overseas Reserves	June 1979	$932.2m	$934.7m	+0.26
Registered Unemployed — incl those on special work schemes	July 1979	51,054	46,894	+8.9
NZUC Share Price Index	14 Aug	348.73	325.09	+6.3
Reserve Bank Share Price Index	14 Aug 79	1974	1872	+7.4

Analysing annual accounts

by Peter V O'Brien

LIFE is tough at Lion Breweries, a point emphasised regularly in the 1979 annual report.

Lion is critical of government taxation and depreciation policies, inability in the past to repay offshore debt, and the necessity to "maintain massive documentation" in support of price increases.

The company has a full statement of inflation adjusted accounts in its reports, as well as the normal revenue statement and balance sheet prepared under the historical cost convention. Each set of accounts shows a low financial return, irrespective of the particular ratio used to assess profitability.

An earning rate of 5.4 per cent on shareholders funds (historical cost, adjusted for revaluations of fixed assets to 90 per cent of market valuation or current replacement valuation, depending on the type of fixed assets employed) is well below the "norm" for public companies.

The depreciation policy affects the return, because Lion writes down assets on the basis of their useful life, after revaluation. Last year this accounted for an amount of $2,710,000 above the level allowed for taxation purposes. If that sum were added back the return would still be low compared with the average of listed companies.

The effects of declining beer consumption and the higher investment in the food business shows up in a breakdown of divisional sales. Brewery sales increased 8.1 per cent over the previous year, total revenue from "managed hotels" (which includes the chain of Cobb and Co restaurants) went up 12.5 per cent, and wine and spirit merchants sales were 17.8 per cent higher. Those figures exclude inter-company sales, which totalled $71.4 million. The latter receive no breakdown in the report, so it is impossible to see how the percentage changes by division would alter after removal of inter-company sales.

BEVERAGES ... competing containers.

Lion will face increased costs in several areas this year, particularly the interest bill. At balance date $25.6 million of term debt was due to fall in within one year. The directors' report comments that the company has "successfully negotiated internal refinancing of $US7,300,000 of offshore debt and of $4 million of other debentures maturing this year". Another $5 million was obtained by private placement of debenture stock. This amount was raised before balance date, according to a table of debenture maturities. The bulk of the $5 million carries interest at a fraction under 13 per cent, with another slice around the 11.5 per cent level.

But there is $11.7 million worth of debentures due for repayment this year. That sum had an average interest rate of 7.34 per cent (raised in happy days of yore), and it can be assumed the new money will cost substantially more.

Offshore debt due for repayment this year cost an average 12.85 per cent. The report gives no indication of the cost of internal finance needed to reorganise that debt, but it is unlikely to be below the figure in the balance sheet, and is probably higher.

The current cost accounts, prepared in accordance with the recommendations of the Richardson Committee and the Accountants Society CCA guidelines, show the impact of inflation on the company's activities.

The "current cost operating profit of the group" before taxation fell from $24.3 million (historical cost) to $15,986,000 (current costs). The difference is made up of $2,167,000 as a "cost of sales adjustment" (based on the estimate of the increased cost of holding stocks "caused by increased prices during the year"), $10.2 million in depreciation (compared with $7.9 million under historical cost), $4.9 million in "circulating monetary asset adjustment ("loss in operating capacity caused by increased monetary unit requirements"), and a cut of $1 million in the amount attributable to minority interests.

The company applies taxation at current rates to pre-tax operating profit, after a gearing adjustment but includes a "true" figure in a note. It would be more realis[tic] if all companies [...] Accountants Society['s] [...] a revised tax figure in [sup]plementary accou[nts] irrespective of [...] Government policy.

The revision allows a [...] comparison between histo[rical] accounting and CCA, [...] giving an indication of the [...] in government revenue if the latter system ever rece[ived] official approval. Richardson recommended a tax ad[justment], but the Accountants Society recommends that [it] be based on the present legislation, because "it has [no] authority to change the [basis] of taxation" — a strange [...] to adopt, since CCA [...] are at present a theoret[ical] exercise with no official [...].

Adopting a figure [of] $5,158,000 as "earnings [ac]cruing to shareholders [after] taxation", and adding [...] $2,867,000 as a reduction [in] liability to the group [...] Richardson's recom[mendations] we arrive [at] $7,925,000 to relate to [...] adjusted shareholders['] [funds of] $235.3 million ($192.6 [million] under historical cost.) [The] return is then 3.37 per [cent, a] ridiculous figure.

Lion goes part of the [way] towards divisional accounting using the term "[sec]torisation", giving [...] movement in gross pr[ofit in] broad areas of company [in]terest. Brewing and mar[keting] contributed 53 per cent [...] grew 2 per cent over [the] previous year.

Managed hotels weigh[ed in] with 20 per cent of [...] and a growth figure of [...] cent, partly as a result [of] Cobb and Co success [...] spirit wholesaling [...] 17 per cent, grow[ing ...] cent over the [...] "other", including [...] gave 1 per cent of [...] and grew 8 per cent [...] company says it is [...] tegrated, and "sector[isation] beyond this level became [an] academic question".

Exchange rates

As at AUGUST 23 1979 [...]
worth:

- Australia
- Britain
- Canada
- Fiji
- Japan
- West Germany
- USA
- Austria
- Belgium
- China
- Denmark
- France
- Greece
- Hong Kong
- India
- Italy
- Malaysia
- Netherlands
- New Caledonia & Tahiti
- Norway
- Pakistan
- Papua New Guinea
- [...]plication
- Portugal
- Singapore
- South Africa
- Spain

Selling rates [...] Bank.

Chairmen line economists up against the wall

by Peter V O'Brien

ECONOMISTS are taking a drubbing as company chairmen lash out at various targets during the annual meeting season.

Industrial captains are expected to voice their frustration at the state of the economy, at conflicting views expressed by experts in all fields and at the reliance governments place on the experts.

Last week we received a solid dose of intellectual ludditeism from Henry Berry chairman, A G Brown, on the subject of economists. While the latter breed tend to have conflicting mathematical symbols, and equally conflicting interpretations of the symbols, reports of Brown's comments to his company's annual meeting show a new level of analysis has been reached.

UEB's caustic chairman Sir Jas Doig, confined himself to saying only that most economists were "bats" at the annual meeting the previous week.

Some of Brown's comments, as reported, suggest the economists are merely misguided, as when he referred to them as intelligent, educated people with the best intentions in the world.

But fervour seems to have run away with the criticism. Apparently economists were "unknown in our lives 50 years ago". That is an historical revelation which fails to stand up to much scrutiny.

Fifty years ago takes us back to 1929, a famous year for the world and various economies. Economists unknown then? Well there was a fellow writing on economics at that time, although perhaps he was not a household name. It took some time for Keynes to get his ideas across; ideas which were particularly relevant to 1929 and what followed, if in need of adjustment in future years as life grew more complex.

And if Brown wants to scoff at the lack of practical thinking among economists he, and other like-thinking people, might reflect on the fact that Keynes made large sums for his college's endowment by stockmarket investment, which (legend has it) he worked out after careful morning examination of the "Financial Times" market lists before setting out for another academic day.

There was also another economist whose views were well known 50 years ago, although they find little support in our type of economy. While it is certainly possible to take issue with Marx, assuming he qualifies for the title of "economist", it is hard to claim that the lad was in conflict with practical thinking, and "all theory".

A difficult man to ignore, given the practical upheavals resulting from acceptance (rightly or wrongly) of the "theory" in large areas of the world.

Then we came to Brown's statement regarding the business executive, who "not necessarily educated ... by his ingenuity and intuition takes risks and is a main avenue for progress". Good stuff for solid practical people.

What a pity that the statement would receive applause in whatever perfect economy the economists go to when they depart this coil. Adam Smith is Brown's ancestor, although the latter may find that hard to believe. Smith lived in the days when philosophy, politics and economics were wrapped up in one discipline (which might be a sensible academic development for the 1970s and 1980s), but there is still a fair slice of the old boy in both the philosophical and practical base of the free enterprise and market force ideas which modern company chairmen expound to their shareholders.

Going back further, we reach the occasional theorist who took himself off to sort out the practical problems of national economies. There was a fellow called Isaac Newton, who had an idea (among others) with some application to business cycles — loosely, what goes up must come down — which he developed in the quiet world of Cambridge. Having sorted out a theory of physics he went to London to tackle the problem of country's coinage and other economic issues related to practical thinking.

Economists, by one title or another, have been with us for a long time. Whether they deserve the constant attention they receive is another matter. But it is curious how yesterday's theory often becomes the "practical thinking and practical planning of the business executive" today.

And who knows, somewhere, buried in an academic's room, there may be an unknown who is tortuously producing a theory which in 50 years will be used automatically by company chairmen when they call for the removal of theory from the nation's affairs, and support for practical people who engage in practical planning.

His theories could even solve the practical problems of people involved in the production and sale of catering equipment, and other products which "touches upon the lives of every New Zealander and every visitor who comes to this country ... without drama or high visibility but with efficiency and a reputation for good service", to quote from the Henry Berry 1979 annual report.

Researchers weigh up 'small' firms

by Peter V O'Brien

THE value of investing in small companies rather than "heavyweights" received further statistical verification last week.

Wellington brokers R A Jarden published an impressive piece of research, aided by its computer, on "dividend growth since 1972". The analysis provides dividend growth indices since 1972 for 131 companies, broken down into "top ten", "bottom ten", "market leaders", industry sectors and alphabetical order.

The table shows the compounded growth each year in percentage terms between 1972 and 1978 for the top 10.

The firm comments on these rankings:

"The rankings of Sanford, Mosgiel and Ceramco are somewhat spurious as each of these had dividend cuts in the base year. All the other companies have kept their dividend payouts well ahead of the inflation rate. Auckland Gas, Ceramco and Progressive have all announced their dividend rates for the 1979 year. Ceramco and Progressive both had effective dividend increases of 22 per cent in 1979 so they have maintained their rate of growth since 1972."

The dividend growth rate takes account of increases in the actual dividend payment and bonus issues over the period. The firm has assumed that rights to any cash issue have been sold "a theoretical rights price has been established for non-renounceable issues," and the proceeds reinvested in the company's ordinary shares.

The analysis says that dividends in 1979 should increase in real terms for the first time since 1974, because the average dividend increase of the 61 companies to announce so far is 16 per cent. "This compared with a rate of inflation of 12.2 per cent between the June quarters of 1978 and 1979". Between 1972 and 1978 dividend growth, compounded, was 10.5 per cent, compared to a compounded growth rate of 12.7 per cent in the Consumers Price Index over the same period.

RANK	COMPANY	PER CENT
1	Sanford	25.19
2	A M Bisley	25.03
3	Auckland Gas	22.63
4	Mosgiel	21.71
5	Freightways	21.39
6	Dunlop	20.49
7	Nat Insurance	20.23
8	Property Securities	19.89
9	Ceramco	19.69
	Brierley	19.35
10	Progressive	19.35

INVESTOR INSIGHT

But the "market leaders" performed comparatively poorly in the six years surveyed. Fifteen companies which have the highest weighting on the New Zealand United Corporation share index are examined. Their compound growth rates range from 3.00 per cent (Rothmans) to 12.35 per cent (Alex Harvey Industries).

A comparison of sharemarket growth for leaders and small companies shows the same trend. R A Jarden & Co refer to the top 10:

"Dividend growth rates are reflected in share price performances. In the six years to June 30 1979 the average gross return of the top ten dividend growth companies was 15.92 per cent per annum compared to the market average of 8.20 per cent. For the bottom ten companies the figure was -0.42 per cent".

(The bottom ten includes Tasman, Haywrights, Gear, Motor Holdings, McKenzies and Brambles).

Growth in the leaders' stock market performance contrasts with the top ten: "The leaders' poor dividend growth is reflected by their share price performance. In the six years to June 30 last, the average unweighted gross return for the 15 leaders was 2.23 per cent, compared to the market average of 8.2 per cent. Only one company, NZ Farmers Fertiliser, had a return in excess of the market average. It ranks second among the leaders in dividend growth".

It can also be noted that NZFF was caught up in the market activity over fertiliser companies, which may account for part of the price performance towards the end of the period.

The Jarden analysis ranks the investment-property sector first in the sectoral stakes. There are four companies in that group, and the ranking is based mainly on the strong performance of Property Securities and Brierley Investments (see NBR August 22). The compounded growth rate was 16.34 per cent. Fuel and energy is ranked second with a growth rate of 14.81 per cent. Jardens consider that sector will have a slower growth rate in future years, although "it should be considerably above the market average." Pulp and Paper is the last (22nd) on the sector ranking list. The sector comprises two companies, and Tasman's poor performance influenced the growth rate of 1.13 per cent.

The firm says that, with the exception of pulp and paper, the "bottom six sectors are almost completely consumer oriented. At least two companies in the retail, electronics and automotive sectors have had to cut their dividend in recent years. The finance sector's growth since 1975 has been particularly low, but the medical supplies' sector growth rate has improved in recent years due to a much improved performance by Salmond and Smith-Biolab."

The analysis therefore reaches the interesting conclusion which the market is reflecting: Non-consumer, and export oriented sectors have outperformed other groups. The comment regarding Salmond and Smith-Biolab also relates to that fact. Both companies have increased their exports rapidly, and this shows up in dividend growth and share price performance.

Investors who backed the exporters, and other groups with low reliance on local consumer spending, will be happy to see Jarden's 19 page analysis confirm their judgment.

ECONOMIC INDICATORS

EXTERNAL TRADE

A. recorded in Reserve Bank record of Overseas Exchange Transactions.

Exports	Period	Latest	Previous Year	% Change
Meat	June 79	$124.3m	$107.5m	15.6
	June 79 yr	$1196.4m	$898.8m	33.1
Wool	June 79	$65.5m	$72.7m	-9.9
	June 79 yr	$729.5m	$619.2m	17.8
Dairy Products	June 79	$65.3m	$37.8m	72.8
	June 79 yr	$599.6m	$619.8m	3.2
Forest	June 79	$35.7m	$22.8m	56.6
	June 79 yr	$320.6m	$288.2m	11.2
Manufactured	June 79	$55.1m	$55.4m	
	June 79 yr	$652.8m	$511.6m	27.6
Total Exports	June 79	$411.8m	$360.3m	14.3
	June 79yr	$4103.5m	$3,418.7m	20.0
Imports				
Government	June 79	$10.7m	$7.1m	50.7
	June 79yr	$193.0m	$172.9m	11.6
Private	June 79	$316.1m	$235.1m	34.5
	June 79 yr	$3203.5m	$2823.6m	13.5
Total Imports	June 79	$326.8m	$242.2m	34.9
	June 79 yr	$3396.5m	$2996.5m	13.3
Balance on Trade Transactions	June 79	+$85.0m	+$118.1m	-28.0
	June 79 yr	+$707.1m	+$422.2m	67.5
Balance on Invisibles	June 79	-$177.6m	-$141.7m	25.3
	June 79 yr	-$1160.4m	-$911.1m	27.4
Official Overseas Reserves	June 79	$932.2m	$934.7m	0.2

FREIGHT MOVEMENTS

Shipping Cargo Carried	Apr 79	3006	2673	12.4
— 000 tonnes	April 79 yr	32769	35216	6.9
Rail Freight Carried	Apr 28, 79	930	870	7.0
— 000 tonnes	Apr 79 yr	11726	12,335	5.0

FINANCIAL

Reserve Bank Advances	Mar 28, 79	$587.8m	$1079.3m	-46.0
Trading Bank Advances	June 13, 79	$3312.2	$2549.4m	29.9
N.Z. Overseas Transaction —				
— Balance on all Transactions	Apr 79	+$42.2m	+$29.6m	42.6
Restricted Survey of Hire Purchase	Mar 79 qtr	$124.0m	$121.4m	2.0
— Value of goods sold	Mar 79 yr	$533.3m	$465.8m	14.0
Mortgage Interest Rates — Average Yield	Mar 79	11.05	10.71	3.0
* Govt Short-Term Securities — average yield	May 79	11.23	8.48	32.0
Land Transfers (value of land sold)	Mar 79	$272.8m	$220.0m	24.0
	Mar 79 yr	$3542.5m	$2550.4m	39.0
Mortgages Registered (value)	Mar 79	$190.5m	$175.3m	9.0
	Mar 79 yr	$2187.2m	$1810.6m	21.0
Mortgages Discharged (value)	May 78	$87.5m	$69.8m	25.4
	May 78 yr	$998.8m	$906.6m	10.2
Bankruptcies (Number)	May 79	44	39	12.8
	May 79yr	502	446	12.6
Sales Tax Collected (value)	Mar 79	$32.5m	$31.4m	40
	Mar 79 yr	$336.6m	$424.5m	-21.0
Totalisator Turnover (value)	May 79	$36.4m	$32.6m	11.7
	May 79 yr	$480.9	$399.6m	20.3
* Govt Long Term Securities Average Yield	May 79	12.95	9.99	30.0

LABOUR FORCE

Industrial Stoppages (Working Days Lost)	Mar 79 Qtr	88355	88226	-5.0
	Mar 79 yr	287016	452582	-17.0
Nominal Weekly Wage Rate Index	Mar 79	1147	1029	11.0
Effective Weekly Wage Rate Index (Base 1977-1000)	Mar 79	1019	1009	1.01
Vacancies at Month End	May 79	2006	1347	48.9
Unemployment (At Month End)	May 79	24513	22935	6.8
People On Special Work Scheme (At Month End)	May 79	24981	16219	54.0
Migration	May 79	-18935	-16042	18.0
Total New Zealand Population	Mar 79 qtr	3,144,600	3,145,900	
Births	Mar 79 yr	51522	63246	-3.0
Deaths	Mar 79 yr	24804	25934	-4.0

PRODUCTION

Electricity Generation	Apr 79	1686	1664	7.8
— Million kWh	Apr 79 yr	22010	21462	2.6
Coal Productions	May 79	177.0	188.8	-6.3
— 000 tonnes	May 79 yr	2055.6	2113.2	-2.7
Gas Productions	Apr 79	2996.3	4682.4	-36.0
— million megajoules	Apr 79 yr	54076.5	61564.8	-12.2
Motor Spirit — Petroleum Production	May 79	167207	60875	176.0
— million litres	May 79 yr	1852419	1584875	17.0
Motor Vehicle Assembly (Passenger)	May 79	5939	4142	43.4
No. of vehicles	May 79 yr	54884	55625	1.3
Building Work Put In Place	Dec 78 qtr	$302.2m	$302.4m	
— value	Dec 78 yr	$1140.7m	$1308.9m	-13.0
Television Sets	Dec 78 qtr	25219	23208	8.7
— units	Dec 78 yr	39985	119086	-24.4
All Plastic Products	Mar 79 qtr	$61.2m	$53.2m	15.0
	Mar 79 yr	$263.0m	$248.3m	5.9

INTERNAL TRADE

Consumer Price Index (base 1977-1000)	June 79 qtr	1177	1047	11.0
Retail Trade — Total Turnover	April 79	$494.5m	$415.0m	19.2
— current prices	April 79 yr	$5905.5m	$5191.7m	13.7
— total turnover	Mar 79 qtr	$833.09m	$802.05m	4.0
— 1974 prices	Mar 79 yr	$3294.61m	$3231.53m	2.0
— per head	Mar 79	$453.01m	$391.6m	16.0
— 1974 prices	Mar 79 yr	$1049.34	$1038.9m	1.0
Wholesale Trade — Total Turnover	Mar 79 qtr	$1518.2m	$1279.3m	19.0
— current prices	Mar 79 yr	$6095.0m	$5393.9m	13.0
Stock — Manufacturers	Mar 79 qtr	$2307.4m	$2170.3m	6.3
— Wholesalers	Mar 79 qtr	$972.4m	$921.0m	6.0
— Retailers	Mar 79 qtr	$960.0m	$879.4m	6.0

Economic News

Industrial Stoppages

According to Department of Statistics figures, there was a total of 146,957 working days [illegible] because of industrial stoppages during the 6 months to June 30, 1979. Other industrial statistics released on August 3 were as follows.

All Industries: 6 months to June 30, 1979.

Total Number of Stoppages	[illegible]
Number of Workers Involved	[illegible]
Total Duration (working days)	[illegible]
Average Days Lost Per Workers Involved	[illegible]
Approximate Loss In Wages $(000)	[illegible]

POPULATION

The Department of Statistics Information Service figures (provisional) for the year ended June 30, 1979 show that the New Zealand population has decreased by 0.37 percent to 3,0[illegible]. This figure compares with increases of 0.06 percent in 1978 and 0.34 percent in 1977.

Sharemarket News

Bonus Issues of Ordinary Shares Pending

Company	Ratio	Meeting	BKS Close Inclusive	Ex Date
** Atcoop	1:10	3/10	9 Oct	4/1[illegible]
Airwork	1:10	24/8	1 Sep	2[illegible]
Aurora	1:5	NFD	--	
Ceramco	1:10A	--	1 Sep	2[illegible]
Dmclwal	1:10AB	10/8	1 Sep	2[illegible]
Indchem	1:5	NFD	24 Aug	2[illegible]
Mim	1:4	21/8	12 Oct	5/[illegible]
Neill	1:10	27/9	3 Oct	2[illegible]
NZTS	1:5A	24/8	31 Aug	2[illegible]
* Rothmans	1:10A	2/11	8 Nov	5/[illegible]
Sxhotel	1:10	21/8	25 Aug	2[illegible]
Wilhorth	1:5	17/8	23 Aug	2[illegible]

A = Shares arising from bonus issue participate in dividend, see schedule.
B = Shares arising from bonus issue participate in rights issue, see schedule.
** Out of strict order
* New announcement.

Current Debenture Issues

Company	Opens	Closes
A.A. Finance	Aug 8 1979	[illegible]
Allied Finance	Mar 30 1979	Sep [illegible]
Auric Corporation	Jun 1 1979	Oct [illegible]
Aust Guarantee	May 22 1979	Nov [illegible]
BNZ Finance	June 18 1979	Dec [illegible]
Bowring Burgess	Jun 28 1979	Dec [illegible]
* Broadlands	Mar 15 1979	Sep [illegible]
Cadix Holdings	Jul 27 1979	Jan [illegible]
Challenge	Apr 11 1979	Oct [illegible]
Credit & Investments	May 1 1979	Nov [illegible]
Crown Finance	May 1 1979	Nov [illegible]
Finance & Discounts	May 18 1979	Nov [illegible]
F & P Dealer Rentals	June 15 1979	Dec [illegible]
General Finance	Feb 22 1979	Aug [illegible]
General Motors	Apr 30 1979	Oct [illegible]
Foodstuffs (Otago Southland)	May 11 1979	Nov [illegible]
International Harvester	Mar 5 1979	Sep [illegible]
Lake Ohau Ski Field	Feb 26 1979	Aug [illegible]
Lombard N.Z.	Jun 14 1979	Dec [illegible]
Merac Holdings	Mar 5 1979	Sep [illegible]
Medical Securities	Mar 8 1979	Sep [illegible]
N.Z.I. Finance	Aug 1 1979	Feb [illegible]
Teppenden	Feb 21 1979	Aug [illegible]
Transvision	Feb 28 1979	Aug [illegible]
UDC (Deb Stock & Unsecured NTS)		
UDC Deb Stock	Jun 5 1979	Dec [illegible]

* Changed Rates
New Prospectuses: AA Finance Ltd

Share Price Index Statistics
April, 1979

NZUC			
	Year to Date	High	343.37 (Apr)
		Low	317.10 (Feb)
	Month	High	339.3
		Low	328.89
Reserve Bank			July 1979
	Year to Date	High	1453 (Apr)
		Low	1344 (Feb)
	Month	High	1453
		Low	1399

MONTHLY TURNOVER

1978	
August	[illegible]
September	[illegible]
October	[illegible]
November	[illegible]
December	[illegible]
1979	
January	[illegible]
February	[illegible]
March	[illegible]
April	[illegible]
May	[illegible]
June	[illegible]
July	[illegible]

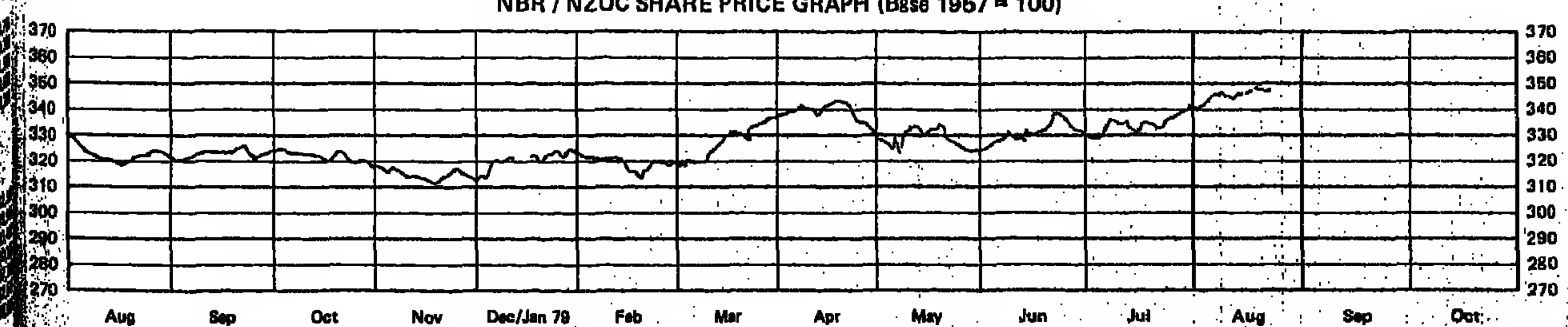
NBR SHAREMARKET SURVEY

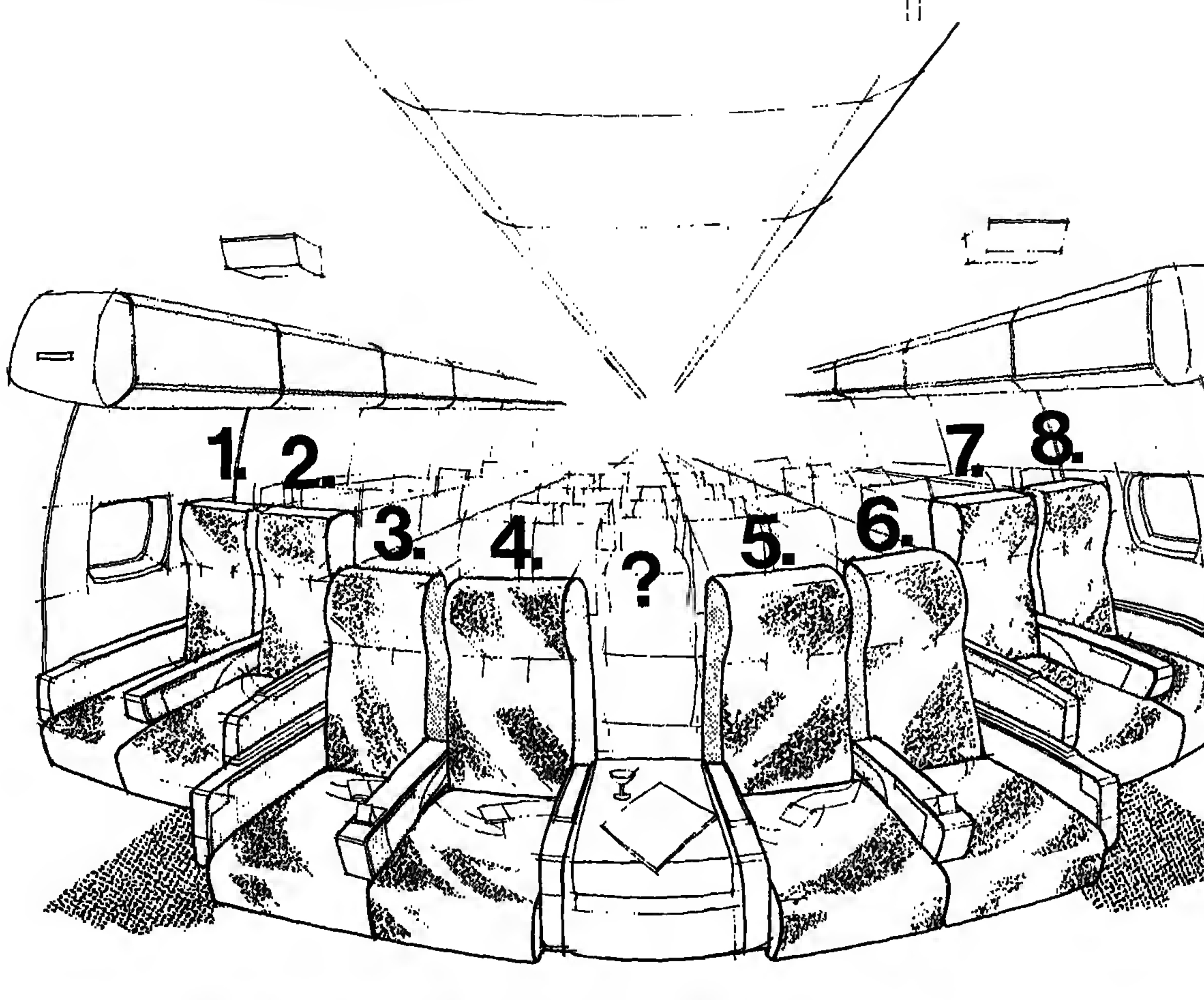
WEEK ENDING AUGUST 23, 1979

1979 High	1979 Low	Company	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

1979 High	1979 Low	Company	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NBR / NZUC SHARE PRICE GRAPH (Base 1957 = 100)





LETTERS

Expert takes exception

I AM forced to take most grievous exception to your remarks in "Without Word of a Lie" of August 15, where you refer to my "ohviously less thon penetroting weekly analysis of annuol accounts" in the context of the Evening Post's treatment of the NZTS annual report.

That annual report, to quota the Post, features "a lovely young lady in a bubble bath" and "a dinner-jacket-suited orm holding a drink and carrying a both towol".

You then sny thnt because I ignore the sex element in my annlyses of companies, I presumobly hold thot a company "cannot be judged by the quality of the cheesecake on the cover, but rather by the bare facts inside".

And why, pray, should I be presumed to ignore the "hore lacts" on the outside? I reassure your renders thnt I am fully in favour of lovely young ladies in bubble baths, particularly if I om holding the drink and-or bath towel.

Whether it would be possible, in these difficult financial times, to run in a dinner suit while holding either or both items is nnother matter.

Any lovely young ladies who wish to be analysed in the context mentioned are invited to apply, in plain brown wrapper, to the care of NBR, where I trust the editor will have the decency to leave the wrapper unwrapped.

Peter O'Brien
Wellington

Accreditation draws fire

THIS company, (along with its associate magazines of Aoporel, Travelog, Grocers' Review and Housewares), has not resigned from the Business Press Association over the question of audits. We have an excellent reputation in the area of circulations and produce the largest circulating trode magazines in the country.

The issue we threalened to resign over was thst of SPA accreditation of advertising agencies, which we believe to be a total waste of time. Every agency in New Zealand knowa the encumbrance the Newspaper Proprietors Association and Radio Naw Zealand accreditation schemes are, and for a small sector such as trade mogazines to get into the act, ts completely unnecessary.

It is surely a basic tenet ol business thst customera be expected to pay their accounts and we cannot see agencies as on exceptioo. If they don't pay, we simply don't accept their placinga. The remedies ara simple without resorting to complex questions to the agenciea on their private financing arrongements. To our group, agencies are a vital part of our daily living — we have no old foshioned ideas that agencics are a menoce blocking client-magazine direct arrangements.

So the issue was not audits, olthough we hold atrong views on those too.

P J MITCHELL
Mitchell Publishing Limited
Auckland

Litter policy: wide angle

I WISH to comment on an article published in a recent edition of your paper under the heading "Without Word of a Lie". The article dealt with the effect of American legislation banning tha one-way beveraga contoiner nnd requiring deposita on bottles ond cans.

Your final porogrnph suggesting that New Zealand usually follows in American footsteps in such motters could be very misleading to your readers and I hope the following will help to put the whole matter in perspective.

Firstly, let me sny that I wholeheartedly agree with the sentiments expressed suggesting that mandatory deposits increase the cost to the consumer. Perhaps it is not ns generally known that such systems in America are not as widespread as may appear, although there is a great deal of pressure for this type of legislation in many states.

One direct result of deposit legislation is usually n foll in sales with o consequent loss of jobs and redundant machinery.

The New Zealand Litter Control Council has indeed been studying American methods of controlling litter, but the type of legislation to which you refer diacriminates ogainst certain items of litter and does not deal with the total problem.

It is our belief that any anti-litter campaign should be directed agoinst all sources ol litter and to do this it is necessary to change people's attitudes and behaviour towards litter with the aim of achieving a reduction in total litter discarded.

The policy of mandatory deposits, where it haa been introduced overseas, has not achieved an overall reduction of litter.

The New Zealand Litter Control Council was established in 1967 to help combat the growing problem of litter. The council ia an independent body but ia supported by the Government.

Membership represents central government, locsl govarnment, voluntary groups and industry and commerce. The council is unique in being the only body in the world where such diverse interests are brought together for a common purpose.

The council is staffed by an executive director, three full-time and one part-tima employees in Head Office and a full-time field officer.

During the past two years considerable research hos been undertoken on the various programmes in use throughout the world. This research resulted in a report to the Government recommending an up-graded national public awareness programme, coupled with the introduction of the "Clean Community System", an adaptation of a successful American programme, to be uaed in selected areas requiring special attention.

This report waa accepted in principle by the Government and plana are now being laid to implement the progromme which is based on the fundamentol need to educote people of all ages in the proper handling of moterials likely to become litter, to ensure the provision of adequate equipment in the form of litter receptacles in the streets, in vehicles ond on construction sites, etc., and to seek odequate enforcement of the litter laws in those cases where other methoda fail.

A new Litter Bill has heen introduced into Parliament to mske the laws more effective.

In our opinion, education is the most important aspect of a programme designed to change attitudea and behaviour. Like all promotions, such a programme costs money and the Council has set a budget of $200,000 for the current year, compared to one of $95,000 last year.

In order to achieve income to reach this budget figure, the Government has agreed to increase its financial contribution to $100,000, providing this figure is matched by industry.

A conference of industry and trade group representatives, with members of the Government and officers of the Litter Cnntrol Council, was held in Wellington last June and resulted in the following resolution being passod unanimously:

"That industry accepts that it should participate with Government and other subscribers in financing the New Zealand Litter Control Council by voluntary subscriptions."

A system of voluntory subscriptions to the council, based on annuol turnover, was accepted by the conference and invitations are now being extended to businesses to join the Council.

This approach, I would suggest, is a far cry from the implications suggested in your article. However, if manufacturers are to have the "right" to select whatever packaging they wish in order to meet public demands, then both the manufacturer and the consumer have a responsibility for litter prevention.

The council is of the opinion that acceptance of this responsibility by manufacturers and retailers in the form of voluntary financial support to a programme which is all-embracing, is preferable to ony of the alternatives, including those mentioned in your article.

A R M Millar,
Executive Director
New Zealand Litter
Control Council

'User pays' holds flaw

IN A recent television interview the Postmaster-General, Mr Ben Couch, justified the considerable increase in postal charges on the grounds of "user pays".

This is an admirable principle with one flaw. The user should not pay to maintain a state monopoly which has no incentive to cut costs.

Postal services should now be put up for tender, or private enterprise allowed to competa, to ansura tha public haa the chance of paying the leaat possible price.

Ned Halliburton
ASENZ

"Correct me if I'm wrong, Brother, but somewhere amongst this politically motivated, contentious, dialectical, polemic propaganda, do I detect a non-negotiable demand?"

Road users spell out licensing retention case

by Bob Stott

CONTINUING concern that the transport licensing system could be drastically modified has been clearly spelled out by the Federation of Road Transport Organisations.

The organisation covers virtually every commercial road user—licensed carriers, ancillary transport operators, rental vehicle firms, taxi proprietors, bus and coach operators, local body bus undertakings and school bus contractors.

A discussion paper, produced by the federation, argues for the retention of transport licensing, although it recommends some changes and could be dismissed as an effort by vested interests to retain a privileged position.

But the paper points out that other industries are subject to licensing, yet don't attract the same attention.

It also makes some suggestions which could be in the national interest, but not in the interests of organisation members—for example, licensing of ancillary operators.

The paper points out that transport licensing does not confer a monopoly on an operator, as does a meat works licence.

Licensing sets the boundaries within which competition takes place, and sometimes forces private operators (specially in passenger transport) to provide services which a free market would avoid.

Licensing, the paper stresses, is a separate issue from rail protection and should not be blamed for defects in transport which are the result of problems in sectors served by transport.

Road transport is more competitive than many sectors of manufacturing where import controls have restricted new entrants, a claim that can hardly be refuted.

The road transport industry says key questions are whether the industry is competitive, whether licensing limits or improves competition, and if licensing does limit competition whether there are offsetting gains through better equipment utilisation.

The licensing system should be viewed as a device to enhance effective competition—a completely free market would, paradoxically, see a reduction in competition.

FRTO believes there is some confusion in the community on transport licensing.

In spite of what critics think, licensing leaves room for competition...road transport is by no means as closely regulated as the aviation industry. A newcomer can get into road transport, and licences in excess of the growth of freight volumes have been issued.

Licensed operators face strong competition from unlicensed fleets, mostly owned by ancillary operators.

FRTO has a good point. For example, if a farmer doesn't like the service his local carrier offers, he can buy his own truck and do his own cartage.

In the same way a large manufacturer can also acquire and operate a fleet of trucks—transport is ancillary to the main business of such operators — hence the term.

In general terms, trucks used for cartage of owners' goods do not need licences.

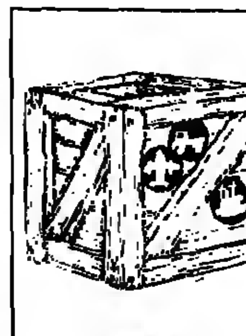
Of course, transport operators must comply with regulations outside licensing and must compete with others working to a different set of rules — rail protection legislation and the NZR are the prime examples.

The discussion paper sees that road transport would gain if rail protection was abolished, but recognises wider considerations.

"National benefits resulting from giving the Railways a guaranteed place in the market may outweigh private benefits which could accrue to road transport operators and some users if the limits were relaxed."

The Railways are seen as providing a line haul service which can reduce overall freight costs, a bulk cartage function for cargoes such as fertiliser, a basic infrastructure which road serves as well as compete with, and "social" passenger services.

But the road organisations would like to see some exemptions from the 150km limit on a commodity basis (many commodities are already exempt) and on a regional basis.



TRANSPORT

They would also like a proper definition of the rules under which the State and private sector compete in transport, and an identification of true costs and subsidies.

This latter point gets some detailed attention.

The paper says the critics of regulation and licensing would be better advised to concentrate on such necessary pre-conditions for competition as: —

- A proper identification of those services provided by the Railways and Air New Zealand for "social" or "political" reasons.
- Direct taxpayer subsidy for those non-commercial services.
- Allowing the private sector to tender for these social services.
- Fully allocated accounting procedures for those components of the Railways where they are in direct competition with the private sector.
- The use of independent accountants to set up accounting systems so that the operating divisions of the Railways such as long-distance bus operations can be compared on a "service by service" basis with their private sector counterparts.
- Preventing the use of unfair pricing tactics to force out private competitors.
- Road transport licensing rights held by the Railways be re-assessed in terms of asking whether the Railways have too big a share of the transport services market.

The principle, says the paper, is that where it has been deemed appropriate for competition to take place, then each competitor should be on the same trading footing.

The paper says that because the basis for licensing is the vehicle authority, and because the capacity of trucks and their utilisation has improved, a given number of trucks today do far more work than in the past, but the full benefits have not accrued as there is now more capacity than necessary.

The absence of restraints on ancillary users has allowed this sector to expand regardless of the licensed industry's surplus capacity.

The Federation spells out the advantages of licensing as a consumer protection device—licensed operators must maintain their vehicles at a higher standard than private motorists, while undue rate-cutting, speeding, overloading and working long hours can also be better controlled.

A licensee operator who persistently infringes the rules can lose his licence.

Licensed carriers are common carriers, required to take all freight offered, and of course many cartage rates are subject to maximum prices set out by the Secretary for Transport.

Regarding competition within road transport, the paper notes that ancillary operators own 64,000 vehicles, compared with 16,000 owned by licensed carriers. It considers far too many trucks are owned by those whose main business is not cartage, and that such trucks are mostly operated inefficiently. But the case in which a person can get into cartage on his own account acts as a strong competitive counterweight to the licensed sector.

And as well as competitive pressures exercised by excess capacity, the industry is subject to the provisions of the Commerce Act.

So what does the industry want to see done in the future? In short, a balance between two sometimes conflicting aims: the best use of plant with a high imported content; and the desirability of maximising competition.

The industry would like improved licence application procedures, and amalgamation of goods service districts so that they are more closely aligned with rail distance limits and with intra-regional freight flows.

A "rules of competition" policy for State-owned licensing for ancillary operators.

New entrants to the licensed sector should be required to undergo some quality control checks in the public interest.

Trade drive slips into search for foster mother

by Revel Lochore

WHILE politicians on both sides of the Tasman debate a two-country customs union, opportunities exist for a South Pacific economic community stretching from the equator and the frontier of China southward to Antartica. In the first of a two part series, Reuel A Lochore former New Zealand ambassador in Bonn and legation minister in Jakarta, develops the wider trade options available to this country and looks at where we missed our chances.

BRUSSELS, September 1972. Gaston, a cartoonist reporting the EEC conference for a French weekly, was drinking coffee between sessions with a New Zealand diplomat and pencilling on his bill.

New Zealand had just presented its case: "We have searched round the whole world, and nowhere have we found butter markets that can replace London's in our economy. For Europe that is a minor trade matter, but for New Zealand it is a matter of life or death."

Gaston pushed his sketch across the table to the diplomat. "So I see your New Zealand. A good little dog, and clever; you see him turning a large butter churn. But your Prime Minister Marshall says he is now old, too old to learn any new trick. I foresee him spending his days turning and churning butter, until . . . "

The diplomat produced his best French: "Jusqu'au retour des vaches?".

"Till the cows come home, so you say in New Zealand? What does that mean?"

"It means: till this evening, or a year from now, or 10 years, or forever, whichever you wish."

Gaston crowed happily: "Thank you, the perfect title. My poodle churns, turns, churns till the cows come home."

The drawing wasn't published. It was presented to the diplomat, with the reminder: "Please don't forget it is also my coffee bill."

So at the price of a coffee, New Zealand's incapacity to adopt a life-style other than as London's butter-man escaped the satirists. And our main supporters, France, West Germany and Italy cajoled the main dairying countries, Denmark and the Netherlands, into accepting an occasional price rise in lieu of immediate entry into the London market.

New Zealand was accommodated with five years or perhaps a little longer, to develop alternative markets.

But Sir John Marshall, back in New Zealand, put it differently: "It is victory. We retain our present quota. No formal time limit has been set. If we negotiate carefully we should be able to stay in the EEC indefinitely."

Gaston's poodle represents a frame of mind which developed during our severance from Britain.

Until 1972 New Zealand had its modest but assured place in the trading world: a still colonial economy serving Commonwealth markets, boasting that "London is our only real market".

In Brussels we accepted the lapse of our long-term contracts with Britain as a formality which Britain, once established in power in the EEC, would easily override.

Why did we not state our true case? Because we planned to smuggle New Zealand into the community as a stowaway: Because we proposed to limit our search to big, easy bulk markets on London's scale and to leave small, difficult, remote markets to harder-working salesmen like the Dutch and Danes?

How much better to have put our cards on the table: "We undertake to vacate the London butter market as soon as possible. Please give us five years to develop new markets so that we may maintain the living standard of our people during the transition. We shall report progress to you annually, and if we need more than five years we shall ask for an extension."

The EEC would have willingly extended such a gentlemen's agreement to 10, 15 years if we were keeping our side of the bargain. Then we would have got our salesmen out and developed new markets without damage to living standards.

Would we have really found the markets? Of course.

Look at the opportunities we have thrown away during our seven-year psychosis.

What commodities, additional to butter, could we sell to the EEC today?

Southdown lamb's inbred fat is an insoluble problem; weight-watching European housewives are buying French and Irish lamb. But a little market research into the customer's needs offers a constructive answer.

Europe's beef-butter industry, which is putting us out of the butter market, is being developed in the direction of a complete stall-feeding system.

Apart from a few large runs, European cattle farms get maximum beef per hectare by devoting most of their hectarage to silage production and buying in any additional fodder required. The smaller farms depend almost wholly on stall-feeding, and many buy in fodder all the year round.

Thus the bottleneck is in fodder supply. There is room for the import of New Zealand fodder concentrates, in bale, cake or pellet form, perhaps on a lucerne base, including Europe's and our favoured fodder plants, grains, edible seaweed and additives for special purposes.

Discuss that proposal with European Ministries of Agriculture, get their specifications for the ideal fodder, hand the problem to the scientists, and the answer should be worthy of an experimental shipment. It could become bigger business than butter.

And a bigger thought again, already under experiment by an enterprising exporter: a corresponding sheep fodder for the uncounted flocks of the Gulf States, to supplement the product of overgrazed oases and water-holes in the drought season, to exploit more fully the bonanza of the moist season which brings good grazing down to the 10cm rainfall contour, and so to enable larger Iranian and Arabian flocks to be carried all the year round.

That will add to the promise of Bahrain, the present Government's one marketing success, which was well built on foundations laid by the Labour Government.

New Zealand beef has found no regular overseas market because it is not good enough. There has been no experimenting to breed the optimum steer best suited to our climate and pastures.

We are trying to sell the hit-or-miss beef produced by a patched-up butter industry. And we offer it to the world's connoisseurs: the gourmets of Paris, the millionaires of Las Vegas, the inventors of Kobe steak.

The EEC the United States, Japan for us are super powers, and anything offered to them should be of super quality. But we psychotics are treating them as our indulgent foster mothers.

America mothers us by accepting some beef on a hit-or-miss basis, in periods of world beef shortage.

We told Britain that in seeking new export markets we might have to diversify imports. Then Japan declined to pursue trade reciprocity.

For a while we stoutly refused to fall into Japan's orbit, then we were wheedled into accepting Japanese automobiles unconditionally.

Why did we ever stop buying British? Japan's position on balancing trade was always correct, if not particularly helpful: "Sorry, New Zealand's rather short list of export commodities contains nothing of interest to our importers. If New Zealand will offer some commodity that we can use we will gladly move toward reciprocity."

That challenge was declined. Instead New Zealand proposed that Japan curtail its own beef production, put its own farmers out of business to make room for hit-or-miss, and should include in the price the subsidy which Japan paid to its own beef farmers. A classic case of psychosis.

Had we any commodity with which to accept Japan's challenge? Yes: Squid.

Why did we lease our squid fishery to the most overworked nation on earth? Because the Government foresaw difficulties in establishing the industry, refused to face them, and took instead the accountant's easy decision to lease.

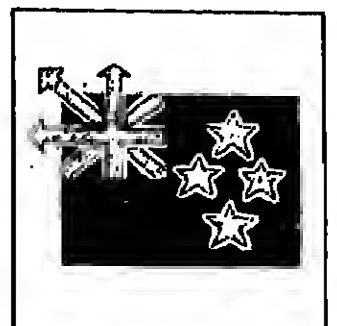
Any enterprising businessman would have seen the possibilities: offer to buy Japan's idle squid fleet, with its records, know-how, services of instructors.

If established in business in 1977 we would by now be conquering the last difficulties, reckoning to break even in 1980, chasing balanced trade with Japan by 1985.

Instead our Government boxed Japan into the fishery and ourselves out of any prospect of learning the game. It dared nothing itself: it stifled the enterprise of the people.

Last January a crisis arose in the Agricultural Commission of the EEC, with the dairy lobby (Ireland, Denmark, France and the Netherlands) moving to cut New Zealand's butter quota drastically in 1981 and to end it shortly thereafter.

In reply the British representative repeated, for the seventh time, New Zealand's statement of 1972 about searching round the world and finding no alternative markets.



OVERSEAS TRADE

But this time the dairymen came back with a body blow: "That is not in accordance with facts known to us. New Zealand has not made a proper search. Denmark and the Netherlands are now disposing of their butter surpluses in South-east Asian markets which to our knowledge, New Zealand has never approached."

A note was passed to the dumbfounded British representative. In the ensuing exchanges among Brussels, London and Wellington, New Zealand offered an excuse for breaking its promise to seek alternative markets, but came up instead with an unexpectedly tactful formula: "New Zealand and the EEC being the world's major butter exporters, New Zealand would not wish to appear in open competition with the EEC dairying countries. Let them keep their present South-east Asian markets, and give us instead a permanent place in the EEC market."

Late in May Olaf Gundelach, the EEC Agriculture Commissioner, came to Wellington with a forecast of the EEC decision: a "considerable" quota for New Zealand in 1981 at an increased price, and a promise to "continue it after 1981".

Clearly any New Zealand presence in the EEC butter market after 1982 will be at the discretion of the dairy lobby.

As for the South-east Asian butter market, the Dairy Board told Gundelach that it is "too small to take New Zealand's production", which is literally true. But has the board forgotten its vast potential?

Between 1959, when our first trade commissioners in Singapore, Bangkok and Kuala Lumpur pioneered it, and 1972, when it was swept under the carpet to concentrate all efforts on holding the London market, it had upward of a million customers, all Chinese, breakfasting in English style.

Today it could readily be extended to the rest of South-east Asia's 15 million Chinese.

Denmark and the Netherlands are not equipped to handle such a large project, but it is ideal for development under the Commonwealth Scheme for Regional Co-operation—in which New Zealand does not participate.

The dairy farmers of New Zealand should urge the Government to think again about butter for South-east Asia.

NEXT WEEK: The formation of our own South Pacific Economic Community.

Occupational health laws lag behind technology

by Belinda Gillespie

DO WORKERS have a right to refuse their labour if they believe their health is at stake? Confrontations in this area — a grey one in New Zealand law — are becoming increasingly frequent between employers and workers.

The Railways, Health and Labour Departments have given assurances that the system they have agreed to for the removal of blue asbestos lining the carriages of the Silver Star is safe.

The National Union of Railwaymen, nevertheless, will have none of it.

George Finlayson, NUR president, points out that there is no "safe" level for blue asbestos. And he claims that "inhalation of one fibre of blue asbestos is sufficient to cause cancer".

"In view of the obvious health hazard associated with working with asbestos the NUR believes it is for the workers themselves to decide

GOOD HEALTHKEEPING

if they wish to put their lives at risk by working on the Silver Star carriages," he said.

FOL president Jim Knox, has given Finlayson the FOL's backing, in line with a remit passed at the FOL annual conference.

The tenor was that all affiliates should publicise the dangers of working with asbestos, and should work towards compelling the use of substitute materials, as well as ensuring that precautionary steps are taken to safeguard workers' health if work on asbestos is unavoidable.

The question of the safety of the working environment applies particularly to those employed at the lower-paid end of the work-force.

Workers who are deafened by industrial machinery, who work routinely with poisonous chemicals and hazardous substances such as asbestos, who carry LPG in leaky tankers daily, toy with their health in a manner unknown to the desk-bound working population.

Legally, they haven't got a great deal going for them. There is no occupational health act to tie up the legislation relating to workers' health in innumerable other acts — factories, mines, construction, shops and offices, bush-workers, to name a few.

The Departments of Labour and Health have a finger in the pie.

So do other Government departments, such as Social Welfare and the Accident Compensation Commission.

In Britain, the law relating specifically to occupational health gives workers a clear idea of what rights they have. Here, there may be general provisions in the Health Act, clauses in another Act and in the industrial award relating to the specific work situation, and finally a separate set of regulations adding to the confusion.

When a Thames council worker was dismissed for refusing to handle 2,4,5-T FOL President Jim Knox referred to the "archaic industrial law" which gives workers little protection against dismissal or disciplinary action in situations where they are instructed to perform what they believe to be unsafe acts.

Industrial awards lag behind technological developments, and trades' union legal advisors, let alone the unionists themselves, have difficulty untangling the degree to which workers are protected, or have the right to refuse to work in different situations.

Trade union officials call last year's asbestos regulations a "token attempt" to rationalise an area of occupational health which relates among others to the Factories Act, the Shops and Offices Act, and the Construction Act, as well as the provisions of the Health Act.

The penalties for offences against the regulations are described as "negligible" in comparison with the possibly fatal effects of working with blue asbestos.

The regulations are geared to situations where asbestos is used as a manufacturing material, not when it occurs incidentally in the working environment — as with the mechanic working with brake linings, or the electrician, plumber or railway worker exposed to asbestos used as an insulating material.

Unionists say the asbestos regulations go halfway in setting out what should happen, but they don't make matters mandatory.

Health checks, for example are provided for but are not compulsory for asbestos workers.

There are further anomalies. Asbestos injury is not mentioned under the ACC act, and industrial awards will have to be changed one by one to include reference to the new regulations.

Enforcement of the regulations depends on factory inspectors who, for the most part, are called in when there are grounds for complaint. It isn't done on a regular basis.

The regulations say that asbestos workers must be provided with protective clothing — but don't compel the worker to wear them.

Once the employer has told the worker of the potential dangers of asbestos, and provided clothing, equipment, locker accommodation and laundering facilities as described in the regulations, he is off the hook. The onus is on the employee, who technically might be informed of the risks, but may not have been sufficiently motivated to take the necessary precautions.

The union view is that the regulations should stipulate that work with asbestos should not be undertaken unless all safety precautions are followed.

The difficulties of this particular piece of health legislation are well illustrated by the confrontation between the National Union of Railwaymen and the Railways Department.

In a surprising volte-face, the NUR has reversed its stance on the Silver Star, which it previously wanted to keep running, and accused the Railways Department of "gross negligence" in keeping it going in the knowledge that the carriages were lined with blue asbestos.

The Railways management has pointed out that the union has known since early in the year there was asbestos in the carriages, and has chosen only to use the knowledge now that railwaymen have been asked to remove the asbestos lining.

In turn, the union has accused the Railways of withholding from the public knowledge of blue asbestos being present on the Silver Star, which was built in Japan in 1970-71 according to NZR specifications.

Ian McGregor, deputy general manager of the Railways, claims the department neither knew of the presence of the asbestos, nor was aware of its dangers until recently.

The department will not force anyone to work with the asbestos, McGregor says, but will be calling for volunteers to pull it out of the carriages according to the safety procedures worked out by the Health and Labour Departments.

Providing volunteers can be found, agreement at least seems possible, because the NUR says it "believes that it is for the workers themselves to decide if they wish to put their lives at risk by working on the Silver Star carriages."

Drivers, too, have taken their own health in their hands in stopping driving LPG tankers.

They argue that their lives are at stake, and the final decision should be theirs.

The employers say that if the vehicles meet safety standards, and the drivers are sufficiently recompensed, they have a right to require them to drive the tankers.

Ron Trott, research officer at the FOL, says New Zealand is "light years behind" in the legislation relating to occupational health and safety.

The withdrawal of work for safety reasons, he says, is theoretically illegal.

Under the Industrial Relations Act, workers have no right to strike over disputes of interest, which does not include health.

If a worker believes he is being exposed to toxic fumes, for example, the correct procedure is to take the issue to a disputes committee. If he simply walks off the job, he is acting illegally — but usually if it's a safety matter, no action is taken.

Increasingly, workers are attacking the prerogative of employers to make basic decisions. Typically, in the Silver Star case, safety is assured for the workers who must handle the asbestos by a consensus of officials who have no danger of exposure.

In the United Kingdom and Sweden, under relatively enlightened legislation, the workers themselves have better defined rights and more control over decisions relating to health in the work environment.

Trott predicts that the "she'll be right" attitude — employers adding 5 cents to the hourly rate as the best way around hazardous working conditions — will soon be a thing of the past.

Workers themselves are recognising their responsibilities. At Ford, for example, there has been an ongoing dispute between coachworkers and management over the requirements for training of workers.

The employers' leave the experienced workers, with adequate instructors, while workers are demanding trained instructors who don't pass on slipshod habits to trainees.

Traditionally, setting standards for occupational health and policing them have been left to the Department of Health.

Trott says the workers are recognise that they themselves must monitor the hazards instead of relying on an occasional visit from inspectors or counting on employers who have vested interests.

Despite the move to deregulation in many areas there is a clear need for legislation relating directly to occupational health. Incentives in this direction are most likely to come from the trade union movement itself as it develops expertise in evaluating health risks.

The ACC could become a valuable source of information on health and safety in the workplace. If it feeds its information from its records effectively back into the workplace.

Arms and the (Ad) Man

RADIO Hauraki and 1ZB are unlikely bedfellows. But it makes good sense for these two stations to team up in a joint research venture that should result in tweaking some advertising dollars out of television's coffers and into radio's.

The McNair research copies the name of an American study and shows a fine disregard for the niceties of acronymics. Its full title is the Auckland Radio and TV Mix Study but it will be known to the cognoscenti as the ARMS study.

It sets out to prove a proposition that for about the same amount of expenditure a combined television and radio schedule will prove more effective than television alone in terms of a target market.

And, because this is the first piece of New Zealand research which combines radio and television audience data based on viewing and listening records from the same people (as distinct from using probability formulae), it has to command attention.

The sample reflects the population distribution in four Auckland urban areas. Television diaries were placed in homes for a recording week, then followed by radio diaries in the same homes for a further week.

The results of the research together with a wealth of sample characteristics were stored in the computer and will be available for survey re-analysis or for future schedule analysis.

As a result of examining the performance of a series of different advertising schedules aimed at various target markets, some containing radio and television and some with television alone, the study, it is claimed, proves "that radio and television in combination are much more effective than television alone." Specifically, it is stated that radio added to a television schedule will provide. "Higher reach on all target audiences; dramatic gains in average frequency; substantial improvement in distribution of frequency; improved cost efficiency; substantial increases in tarp levels; substantial increases in gross impacts." Which is a pretty all-embracing claim.

We give one example of a schedule designed to reach the target audience of females 20-34. The television-only schedule called for five TV2 spots in preferred placements and cost $3250.

For that the advertiser got a total reach of 62 per cent, an average frequency of 2.0, gross impacts to the order of 110,000 and a tarp level of 123.

When a combined schedule was substituted, consisting of four TV2 spots plus 20 Hauraki and 10 1ZB spots for a total cost of TV $2600 and radio $971 — $3571, the total reach increased to 81 per cent, the average frequency to 4.1, gross impacts to 300,000 and tarp level to 334.

The improvement, for a 10 per cent increase in cost, was expressed as 173 per cent more advertising impacts, 105 per cent greater frequency and a reach extending to 31 per cent more potential customers.

Having got this far with the proposition, you are immediately confronted with the hoary problem of comparability between radio and television advertising. The answer comes ringing back.

"It is not possible to evaluate the difference between TV and radio creative content." At least it leaves plenty of room for argument.

Although the combination of television and radio plans is not new, those employing the technique up to now have done so on an empirical basis.

The ARMS study provides a sure footing for those who want to venture on this path for the first time — at least in Auckland.

Inserts catch on

THERE was a time when Australian State Governments promoted their own State's tourist attractions in New Zealand with a beer and a bun fight for the travel trade.

Now the Australians are directing their message at the travel consumer with full colour inserts placed in newspapers and magazines.

Author of the insert concept was Auckland ad agency, Monahan Dayman Adams and Partners.

MDA is the first in this country to try inserts on any grand scale, though the concept provides big business for both agencies and the print media overseas.

It all started with MDA's client Qantas. Qantas had its Funjet Queensland package to sell.

MDA media director Chris Payne came up with a proposal for a package that would include both the air transport and the Queensland tourist industry's contribution on the ground.

Qantas, the Queensland Government, and the Australian Tourist Commission all gave their blessings to the scheme.

Australian advertisers qualified for a 70 per cent subsidy from their Government toward advertising costs.

Payne sold the ads by phone and letter at $10,000 a page for the eight-page insert.

MDA produced the insert themselves with a 60-40 editorial-advertising ratio.

The Hawke's Bay Herald Tribune printed the 600,000 full colour copies.

The insert was placed in 17 major newspapers giving a potential readership of 75 per cent of the 15 plus population.

Insertion costs ran about $32-a-thousand, except in the Evening Post which charged about $37 a thousand.

The campaign cost the Australians about $55,000 — far less than they would have paid had they bought ads individually in enough papers to provide equivalent reach.

MDA claims that to date, it has looked to inserts which encompass several advertisers sharing the common cost.

This type of format, given sufficient volume and numbers of pages, can be cheaper than the equivalent black and white run of paper and space. And, of course, it can be contributed to by as many advertisers seeking a common goal as the agency chooses to invite to the party.

MDA claim that the Newspaper Advertising Bureau supports the insert

ADMARK

concept as profitable to both advertisers and the press media.

In the United States, the giant retailing chains Sears spends some 75 per cent of its $450 million ad budget on inserts.

The Washington Post derives 15 per cent of its income from inserts.

MDA's insert campaign for Queensland was the first national effort in this vein in New Zealand.

As to the insert's cost effectiveness, MDA points out that colour adds impact ... and the insert concept can place colour advertising in papers that can't take colour ads themselves.

The total insert, complete with editorial content, provides a vehicle to the individual advertisers and can be lifted out of the paper and retained for future reference by the consumer with long range plans for a trip somewhere.

Evidence of their success is that MDA have now been given a bigger insert to produce — triple the size of the Queensland campaign.

South Australia, Tasmania, and Victoria will have a joint billing here as the "blue chip states". The whole campaign is built around Melbourne as an alternative gateway to Australia and will aim to divert the Kiwi from his belief that Australia is just the Sydney Harbour Bridge and Opera House.

Sydney gets 80 per cent of the inbound traffic from New Zealand, according to Payne.

Supporters for the insert include Qantas, TAA, Ansett, Air New Zealand and the Australian Tourist Commission as well as the three states.

Payne said this is the first time these bodies have pulled together in a regional promotion.

The "blue chip" insert will run to 24 pages and will first appear in The Listener on August 27. This will be followed by a four-page insert in September in The Listener, Womens Weekly, and Time.

The campaign will be culminated with a 24-page insert in 17 newspapers.

Cost of the inserts will come to about $150,000.

In addition, Air New Zealand, TAA, and Qantas will run a TV ad campaign.

Total billings from the Australians will come to about $500,000.

The "blue chip" campaign opened on August 6 with gambling evenings in Dunedin.

Croupiers were flown in from Tasmania's West Point casino to give New Zealanders a rare taste of sophisticated night life.

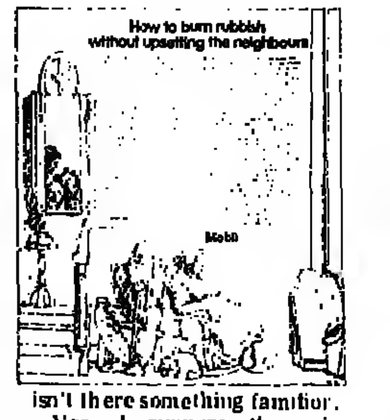
To comply with this country's anti-gambling laws, only play money printed for the purpose was wagered and prizes auctioned afterwards to change the script for something of value.

PM slips into ad

HAPPINESS Mobil style is being able to sit reminiscing around a solid fuel space heater burning rubbish pellets.

Or so the cartoon in one of the oil major's current series of advertisements on home heating with rubbish would have us believe.

But wait a minute, take a second look. That old couple sitting contentedly by the fire with a cat curled on the rug, isn't there something familiar.



Yes, I suppose there is Mobil's public affairs manager Tim Bayley admitted.

"It was not intended and the advertising agency did not realise either until I pointed it out," he said.

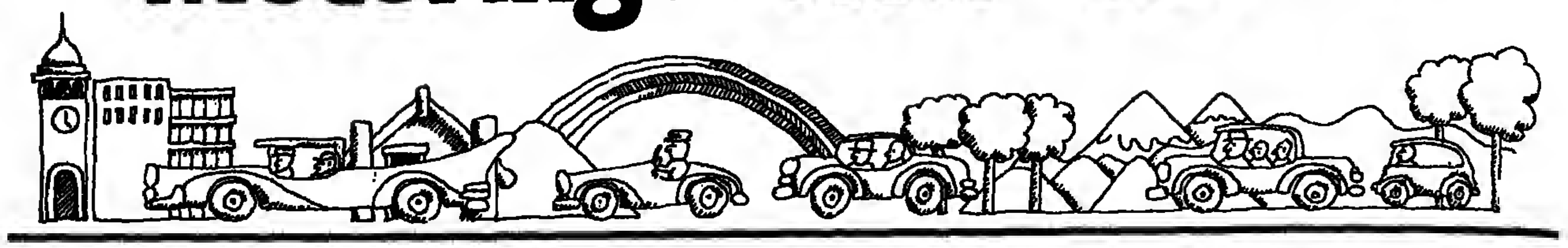
"It is possible one of the artists was having a joke."

And those people looking in through the window — are they envious neighbours smiling at the prospect or do they represent the bemused world viewing simplistic Kiwi ambitions?

The old man with the characteristic scar and prominent chin leaning on his stick is giving little away.

Perhaps he is pondering times past — like the energy decisions of 1979 and if only they had been different!

Motoring in New Zealand



Fuel pinch swings production into small cars

by Peter Young

IN the face of carless days, ever-increasing running costs and booming petrol prices and shortages, major vehicle manufacturers both here and abroad are swinging their attentions to making less fuel go further with small cars.

Despite this, there will be few drastic changes in the under 2000cc offerings locally for some time. Rather we can expect a gradual introduction of some of the revolutionary small cars just about ready to be launched in Europe.

Evidence of the pinch being caused by the fuel situation is spelt out with General Motors' latest offerings in the United States.

For the first time in the history of American car manufacturing, the company is turning out vehicles that are suited to motoring conditions worldwide rather than simply the boulevard smooth highways and freeways of the United States.

General Motors has cut nearly all the fat out of its line-up, converted almost completely to front-wheel drive and produced a new range of engines comparably frugal as the best in Europe.

Gone forever are the days of the 'Yank Tank'.

GM's latest offerings have met with rave reviews by the American and foreign motoring press and if the company should seriously consider the export market there will be a great deal of heartburn in other automotive board rooms worldwide.

Other manufacturers worldwide are scrambling to produce better, more economical cars. But few have the financial backing to pump the estimated $US2.6 billion into the small car cause that General Motors has put into its latest range of American passenger vehicles in the last year.

Heavy investment in small cars has occurred in both General Motors and Ford in Europe.

Locally, we will probably see the front-wheel drive Ford Fiesta on our roads within 18 months, although it has been on sale in Europe for more than two years.

Some time after that will be a new General Motors European small car.

Front-wheel drive also, it will have a huge impact on the European market when it arrives some time next year.

Don't expect it here until 1982 at least.

Ford's Escort will go front wheel drive for the 1980s as customers demand more space in less car.

The Japanese already heavily entrenched in the small car market worldwide, will release an updated Honda Civic later this year; Toyota and Datsun have both just announced revised small cars and major European manufacturers Fiat recently introduced a new small car.

Locally, we will see little of all these cars for at least a year and maybe longer.

Ford is not too keen to introduce the Fiesta, a car which may take sales from its class leader, the Escort.

General Motors will stick with the Chevette in its present form for some time and the major Japanese manufacturers will introduce new small cars here only when it suits them. They have no need for rapid change in a market in which they held nearly 46 per cent in the first quarter of this year in new car sales.

Add to that the fact that most European (Fiat, Renault, Alfa Romeo, VW) small cars are uncompetitive price-wise in New Zealand, and it is safe to say that we cannot expect rapid change in our small car market.

Despite this the swing to the small car continues with more New Zealanders than ever dropping their traditional six and eight cylinder models to make do with an increasingly small capacity four.

Recently many motorists thought that temporary oil price and supply stability would allow them to stick with their big cars, but after the latest antics of the OPEC group, were sent scurrying to the small car showrooms once more.

As buyers have swung to the small car, one local assembler has focused its attention on offering all the luxuries and fittings of large cars to make the break less heart-rending.

Ford reports good sales for their swank Escort Ghia, despite a price tag hovering perilously close to $10,000.

As usual, Ford has picked its market niche and gone for it, leaving all the other local assemblers standing.

Not one other local assembler can offer anything to compete and with this model Ford has effectively underlined its dominance and thorough understanding of the small car market.

It is not eager to upset all its hard work in weaning Kiwis off large cars, however, and opted for a low-key introduction of the full-size XD Falcon, a car with severely limited sales potential in New Zealand.

Ford's local introduction plans caught General Motors on the hop, though, and the General was hurried into importing a number of built-up Holden Commodores from Australia to provide dealers with some ammunition with which to fight the Ford onslaught.

Many observers are already holding forth long and loud that GM and Ford have made a fundamentally bad decision to introduce such a large car here and in Australia during these times of uncertain fuel supply.

Time will tell, but both know their markets thoroughly and there is always the buyer ready to part with a large number of dollars for his big car motoring.

Japan takes line honours

JAPANESE cars have taken line honours in the first half of 1979, having secured 46.7 per cent of all registrations. Sales of Japanese cars in March were a record 49.3 per cent and April and June both had over 48 per cent Japanese sales.

Mitsubishi is the most popular Japanese make available, securing 12.5 per cent of the total car market. Toyota follow with 11.7, Datsun 7.1, Honda 7.0, Mazda 6.8 and others 2.5.

Cars manufactured in Britain account for 33.8 per cent of new cars registered here, with Ford taking the lion's share. Chrysler supplies Todd with a respectable number of Avengers, and NZMC still markets the British Leyland a table of old and new.

Australian cars now hold 13.5 per cent of new sales and this is made up of three cars — Ford Falcon, Holden Sunbird and Kingswood.

All others represent 6 per cent, or 2015 cars, most of which are imported fully built up and tend to be in the higher priced category.

Sparks fly as officials stall electric prototype

Christchurch Correspondent

GRANDMA Duck drove one through the pages of Walt Disney comics. Hers was a hybrid of geriatric bath-chair and railway "jigger". It was sedate though not entirely safe . . . an electric car.

Almost as archaic in appearance is New Zealand's own electric car as created by the dedicated band of "electric" devotees at the University of Canterbury's electrical engineering department.

It wouldn't have that quaint postwar look if the current wrangle over import duty apparently insisted upon by the authorities on a futuristic Mazda body was resolved in the academics' favour. The fight over this imposition has already led to a mild showdown between the leader of the project and the Government.

Project head David Byers delivered an ultimatum to Energy Minister Bill Birch — refusal to waive duty on the Japanese car body shell meant the Canterbury venture was going down the drain and if support wasn't forthcoming it was possible he could take a new job overseas.

Mazda had offered the shell provided Wellington showed some form of support. Birch told the university that no Government financial aid could be expected and that Government energy priorities didn't include development of the electric car.

But he promised to look at the Customs' reasons for insisting on duty upon the car shell, though work on liquid fuels rated more highly.

Byers is now on study leave in the United States and England for perhaps up to a year. And though it's normal for lecturers to return from such furloughs, fellow academics told NBR: "If things aren't working well here there will be good offers from companies interested in using his knowledge for him to consider".

Byers has been on the Ilam project for almost eight years and is believed to be acutely disappointed with the official rebuff.

There's frustration that though Mazda is prepared to donate its streamlined shell, the Government still insists upon duty and sales tax. Mazda could, of course, proceed with the offer but ask why it should have to make additional payments.

Support so far has come from the Golden Kiwi lottery, the University Grants Committee, the University of Canterbury, Chloride Batteries via the Christchurch Battery Co, Firestone (tyres) and other southern businesses.

The boffins at Ilam campus insist the electric option should be examined parallel to liquid fuel proposals. "I think it's a one-sided accent upon liquid fuels," Richard Harman, project deputy-leader told NBR. "There will be a place for the electric car alongside liquid fuel vehicles.

"Even if we imported oil to burn in power stations and passed the electricity through to charge batteries in electric cars we'd import less oil than needed to make petrol and we've ample hydro power anyway without doing that.

"If Mazda does eventually get the chance to help with the Government deciding not to collect duty, the shell will encase our Mark III vehicle."

Mark II is under construction at Canterbury's department of mechanical engineering "hampered by lack of finance". No one knows when it will purr up Memorial Avenue. "Maybe six months."

There's plenty of static about how marvellous electric cars will be as petrol supplies dwindle and oil prices soar but just how effective is the car's own power source? United States Secretary of Transport Brock Adams cooled off considerably as an electric car fan when his official buggy broke down on a Washington hill.

The breakdown truck didn't want to touch the car so Adams and his son tried to push it. Zero distance; the raft of batteries slung below the car made it too heavy to shove. Problem: the need for a better battery.

Harman said: "It is the biggest handicap at the moment and has been for years. As a result of work with our first batteries the second lot will be better and will also power the car further. We used 20 12-volt batteries in Mark I and will again in Mark II but there is the possibility of a jump in technology levels within the lead acid battery field."

Electrics have a range of only 60-90 kilometres per charge and the faster they are driven the faster the charge fades. Most have top speeds of 100 kph.

Byers' Mark I does a steady 50 kph for 40km "with a very non-aerodynamic body". One can readily see the need for a better shape than a modified family saloon presents. Mark II is very extensively modified, especially aerodynamically, and will scoot along at the same speed for twice as far.

But would one be safe on motorways where faster speeds require sharper acceleration than the truck-slow electric? The United States Energy Department considers them too dangerous for high-speed highways. Harman concedes that from rest the electric is a slow mover "but it goes fine on the open road, retains the ability to accelerate and has overtaken fast-moving cars to their owners' surprise. It can be driven at 60 kph for 20 km but you'd use the battery capacity quickly."

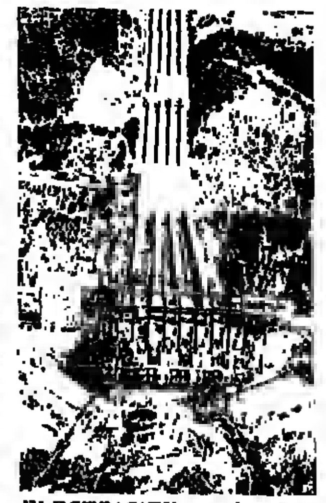
The emphasis for electrics is obviously upon short-distance city driving for commuter and service uses with the odd short motorway dash. There are 10 million vehicles in the United States that never exceed 50kph on any given day but only about 2000 electric cars. The potential is enormous.

But didn't Lucas Batteries Ltd suffer a setback in Britain after 10 years of clear sailing with its experimental electric, one of their 65 vehicles exploding into tiny bits one night while recharging in a Birmingham garage?

You can't park an electric on the street or nocturnal joggers would break their necks tripping over the trailing power cable recharging spent batteries, and garages must be ventilated as lead acid batteries, 20 of them, emit volatile hydrogen gas.

Harman downplays the risks: "It's normal to see that a safe system develops; there are risks with gasoline."

Don't batteries have to be checked for water every day? Not at all, perhaps every week or month. Ilam is working on a centralised topping up system to avoid taking off all those water caps. Nor does Harman see any real problem with the effects on body paint and upholstery of sulphuric acid fumes, or with special springs to take the weight of batteries. With light use the repurchasing of batteries could be kept to as much as four year cycles.



ELECTRICITY...seeks acceptance

The electric owner doesn't have power brakes or power steering as these aids place strain on the power source. So does heating. But Canterbury's Mark I has regenerative braking. This comes into operation when the accelerator pedal is released and roughly equates to "engine braking" in a gasoline car.

The first movement of the brake pedal brings into operation a higher level of regenerative braking giving rise to a total retardation of the order of 20 per cent and on the latest overseas vehicles a depressed brake pedal can keep the regenerative braking working until the electric is at rest.

Heating in foreign cars is ironically by means of gasoline, bottled gas or kerosene.

About 100 prototypes were shown at the last International Electric Vehicle Symposium in the United States. General Electric's Centennial Electric weighed 1.5 tonnes and has a low centre of gravity because .55 tonnes of that is in batteries slung on a movable trolley beneath the vehicle running almost its full length.

To keep the car low to reduce air drag and to permit easier entry the back seats face to the rear below a hatchback rear door. It has 18 six volt lead acid batteries, a range of about 120km at a constant 65kph and passing speed of 96 kph. In stop and go urban driving its range is about 70km between charges. It can accelerate from zero to 50kph in 9-10 seconds.

The optimists are convinced of the electric car's future. Lord Ironside, president of the Electric Vehicle Association of Britain snorts: "If an electric vehicle can be got to the moon, surely it can be put on the road."

Harman argues: "Are we always to be dependent on overseas technology? Of course no one has been able to compete with overseas cars in the gasoline range but there is a change in technology now.

"We have one of the breakthroughs here and the stage has been reached where there could be a New Zealand design that could conceivably end up being exported."

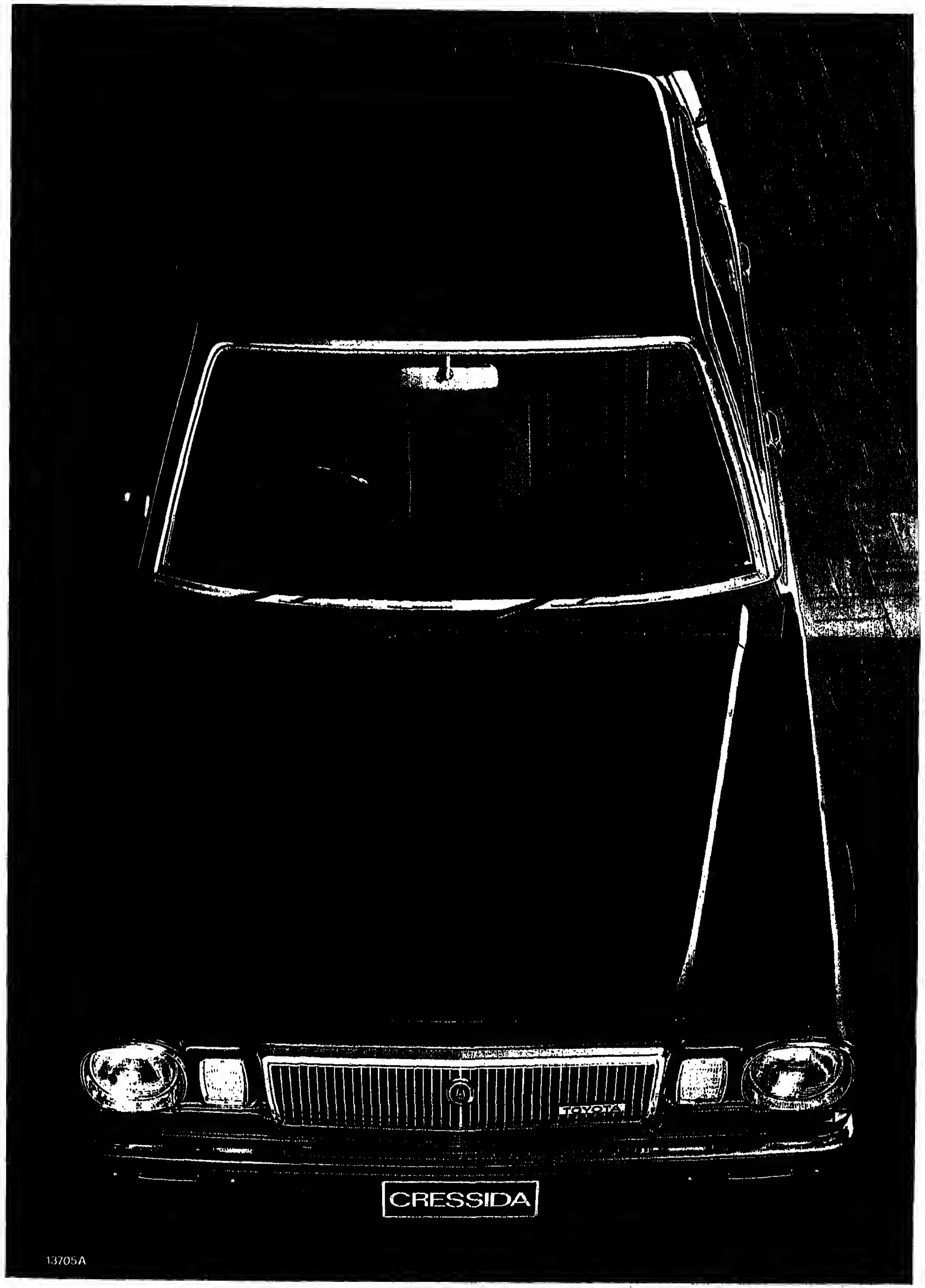
Several nations have extensive programmes; in Britain there are between 40,000-70,000 electrics on the road mostly as delivery vehicles. They're used as post office delivery vans in California, buses in France . . . and there are delivery electrics whirring through the streets of New Zealand cities already.

The Americans have been ploughing finance into R and D for the past two years following the 1976 Electric and Hybrid Vehicle Research, Development and Demonstration Act. Initial budget was $160 million for 5 years and climbing.

But sparks have flown since the General Accounting Office deemed results discouraging.

Cost, performance and safety factors were barriers to the electric car, said the GAO.

With an apparently similar official attitude in Wellington, the sparks are also flying behind the ominously mushroom shaped lecture hall of Ilam campus' engineering school.


CRESSIDA
13705A

Big changes as motor industry faces the 1980s

LEADERS in the space race, the Americans have the edge on competitors as fuel economies force car manufacturers to produce smaller and lighter vehicles. Smaller, however, does not mean cheaper. Donn Anderson looks at the trend to more sophisticated design and some of the new materials—aluminium, plastics, and carbon fibre—which are edging out the traditional heavy-weights, steel and glass.

The next 10 years will be the most significant in the history of the automobile. What has to be packed into the decade between the end of the carte blanche on oil and the appearance of the car industry's 1985 models is a challenge which makes even the change from wood to all-steel bodies early this century pale into insignificance.

by Donn Anderson

THE energy situation has forced motor manufacturers into a revolution that will mean big changes to the vehicles of the 1980s and beyond.

As economies of scale become increasingly important, some car makers will disappear. Others will merge, there will be substantial rationalisation and more interdependence between manufacturers and different countries.

Developing nations like Taiwan, Korea and Singapore will make growing contributions to the world motor industry, manufacturing parts and components, quickly and efficiently.

But, more important, cars and commercial vehicles will become much more efficient and smaller. This downsizing does not imply a cost reduction because the smaller the unit the finer the line between profit and loss. And, more efficient design could well mean greater sophistication in design and the use of expensive materials.

The biggest changes will be seen in the North American auto industry, causing repercussions throughout the world. Downsizing of vehicles has been forced on the American manufacturers by progressively restrictive legislation on fuel economy during the next six years.

But the changes may mean the Americans could rule the motor world sometime during the next decade. For one of the keys to efficiency is reduced weight. Bring the weight of a vehicle down, and fuel consumption is immediately improved. The Americans, with their NASA space research and development, are world leaders in this area.

The Japanese and Europeans can produce small engines and transmissions but it is inconceivable that they can match the United States in terms of vehicle composition after the experience of the Americans in space. In addition, North America can produce motor vehicles very efficiently, and has the necessary production ability.

Weight saving is only one factor. Other areas such as the reduction in aerodynamic drag, the use of microprocessors and more economical engines also figure in the vehicles of tomorrow. But all motor vehicle manufacturing nations are now placing tremendous emphasis on weight reduction.

Designers and engineers were told at a recent symposium in Geneva that they should collaborate more seriously with component designers to learn about new techniques of weight saving in motor vehicles. Original equipment manufacturers described how it was possible to save weight by using lighter windscreens, light alloys, reinforced plastics, carbon fibres and lightweight propshafts and clutches.

Frank Shaw, a leading British designer and engineer at Jaguar Rover Triumph, said most experience and knowledge of very lightweight materials had been derived from the aircraft industry. The message from the symposium was that motor manufacturers should take a more active interest in them.

British Leyland engineering director, Spen King, who was in Nelson in June for the launch of the New Zealand assembled Rover 3500, stressed the importance of weight saving in future designs. He saw great savings from increased use of aluminium.

Aluminium manufacturers already know that United States cars will use twice the amount of aluminium in 1985 that they do today. John Steel, national automotive sales manager for the Reynolds Metal Company, said: "When you take into consideration that in 1978, the first year Government regulations went into effect, average fleet mileage had to be 19 mpg (US gallons); that in 1980 this will rise to 20 mpg and that in 1985 it will soar to 27.5 mpg, there is no way that the industry can obtain weight savings except through lighter weight materials. Aluminium will be a major consideration. And we'll be ready for the new business."

Aluminium is already being used to good effect in latest North American models. An extruded aluminium rear bumper on the current Ford LTD weighs 10 to 14 kilos less than the comparable steel unit.

Ford is also effecting weight savings by using aluminium for master brake cylinders and composite brake drums, bumper reinforcements, intake manifolds and in parts of rear axles.

Strength of vehicles must be maintained or improved in these safety-conscious times, and aluminium is seen as one of the most strong, yet effective applications in reducing weight.

Such is the anticipated demand for aluminium not only in the automotive world, but for aerospace, cans and containers, that the non-socialist world can expect severe shortages and higher prices by 1982.

According to the Aluminium Association, increased use of aluminium in motor vehicle bodies and engines will be commonplace by the late 1980s.

Plastic is also taking the place of steel, and some industry sources predict motor vehicles will be almost completely made from plastic by the end of the century.

Lucas in Britain has been making plastic headlights for Vauxhall Viva and Chevette models since 1975.

The lamps are made from dough moulding compound (DMC), using a unique mixing formula.

Previous limitations in the malleability of steel greatly inhibited shapes and sizes of headlamps, and restricted the vehicle stylist in the battle to improve the aesthetic appearances of cars.

But through the use of DMC, stylists can design headlights unlimited by shape or size.

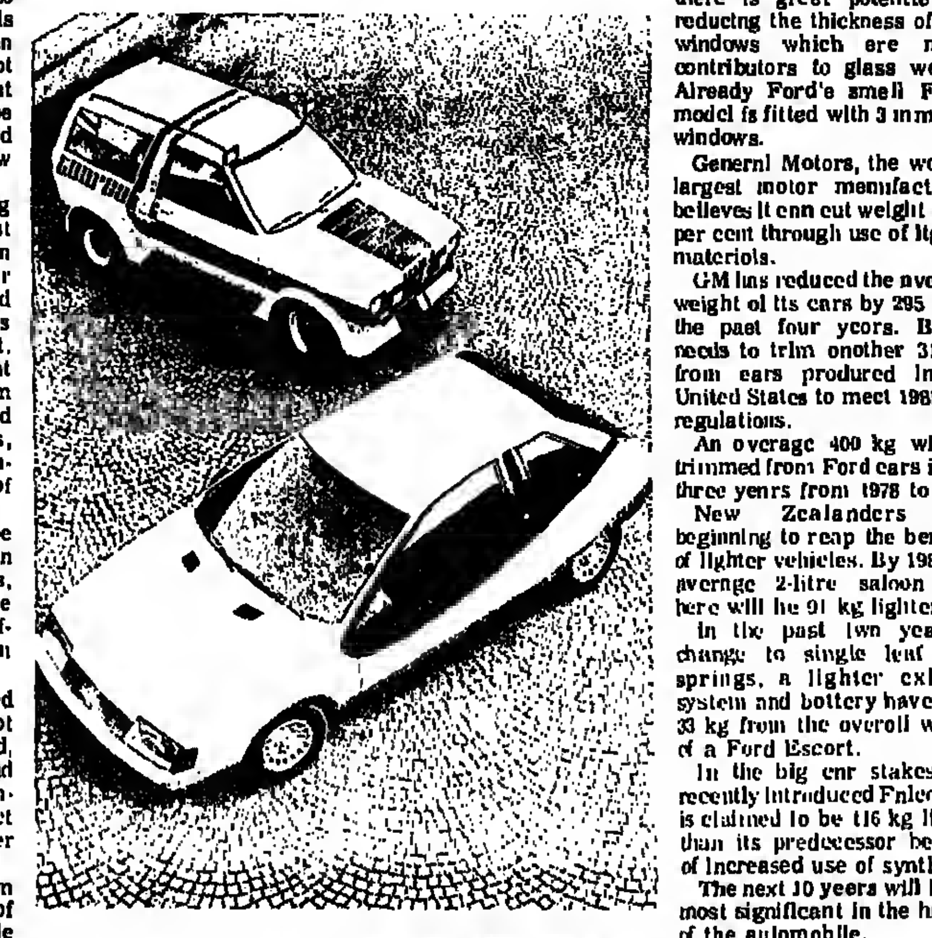
A Lucas spokesman said: "We have made more than 400,000 headlamps from DMC and there have been no quality problems."

Plastics will not only help the weight problem. They assist in the fight against motor vehicle corrosion. Plastic body panels and plastic liners for wheel arches are becoming more common.

The British GKN Group now has a composite leaf-spring which weighs 90 kilos less than the conventional steel equivalent.

A carbon-fibre composite material has been used for the three-leaf spring which weighs only 20 kilos and offers operators of heavy trucks an extra half tonne payload capacity on a typical four spring truck.

Powder forgings, pressure die-cast alloys and stainless steels, advanced finishing technology for aluminium alloy wheels and fasteners,



EXPERIMENTAL FORDS ... increased glass, improved body aerodynamics and decreased vehicle weight.

sintered components and transmission components are all on the horizon.

GKN has a new single-piece composite propshaft which, at four kilos, can replace a conventional two-piece steel propshaft weighing 10 kilos.

Because of its extreme rigidity and its light weight, it eliminates the need for a central joint together with its associated bearing.

The special properties of carbon fibre such as its thermal stability, corrosion and fatigue resistance, makes it an attractive material for many uses.

Its basis is usually a special acrylic fibre which undergoes complex molecular changes in a process that stretches it under closely controlled conditions and then passes it through baking ovens where it is first oxidised and then carbonised.

The result is a filament of high strength, high stiffness and low density which, in combination with resins, can be formed into light but strong components.

Composite materials could eventually be used in driveshafts, engine push rods, seat frames, bumpers, hinges and wheels, as well as coil springs, suspension arms and gearbox housings.

Future applications for the commercial vehicle include axle beams, chassis frames and flooring and brackets.

Europe's petrol bill could be cut by more than $300 million a year, at current prices, by fitting cars in Europe with thinner, lightweight glass which is now available.

Triplex, the major United Kingdom-based safety glass maker, claims new windows of 3 millimetres or thinner, used for side and rear windows (not windscreens), could slice nearly 25 per cent off the weight of glass in typical family cars.

As car waistlines have been lowered and window areas enlarged, the use of glass in cars has increased at the rate of 3 per cent in the past 20 years.

In addition to saving weight, thinner glass lowers the centre of gravity and thus improves the vehicle's roadholding.

Glass thickness has been progressively reduced to the point where, for the first time, new technology makes possible the production of glass which is lighter than trimmed metal.

"Making very thin, high quality glass to meet international standards, poses several technical problems and there are also car design aspects which need study," said Triplex expert John Pickard.

"However, we believe the weight-saving prospect is an exciting one in the motor industry's urgent search for greater fuel economy."

Glass on an average family saloon weighs more than 32 kilos, but Triplex believes there is great potential for reducing the thickness of rear windows which are major contributors to glass weight. Already Ford's small Fiesta model is fitted with 3 mm side windows.

General Motors, the world's largest motor manufacturer, believes it can cut weight by 20 per cent through use of lighter materials.

GM has reduced the average weight of its cars by 295 kg in the past four years. But it needs to trim another 318 kg from cars produced in the United States to meet 1985 fuel regulations.

An average 400 kg will be trimmed from Ford cars in the three years from 1978 to 1981.

New Zealanders are beginning to reap the benefits of lighter vehicles. By 1985 the average 2-litre saloon sold here will be 91 kg lighter.

In the past two years a change to single leaf rear springs, a lighter exhaust system and battery have shed 33 kg from the overall weight of a Ford Escort.

In the big car stakes, the recently introduced Falcon XD is claimed to be 116 kg lighter than its predecessor because of increased use of synthetics.

The next 10 years will be the most significant in the history of the automobile.

American industry leaders say it is a matter of packing four decades of change into one.

Elliott Estes, president of GM, recalls the change from wood to all-steel car bodies in the early part of this century.

"As significant as that breakthrough was, it pales in comparison with what the industry must do in the decade between the end of the oil embargo (1974) and the appearance of our 1985 models," says Estes.

"Our challenge is to force technological progress of at least ten times that magnitude in one-fourth the time — even that may be stating it too conservatively," says the GM president.

Ford president Philip Caldwell says motor companies used to be accused of planned obsolescence.

"In fact, until very recently our products used to change rather slowly and gradually," says Caldwell. "But since the Government stepped in, there's no question about planned obsolescence and it's the Government that is doing the planning, or at least the pushing."

The Ford chief indicated that the downsizing of North American cars will likely increase their appeal on world markets.

"I think the revolutionary changes in automotive design that the regulations have initiated are creating a great new market for our products," says Caldwell.

Du Pont believes the average 1985 USA car will using between 160 and 230 kg of plastics, compared with 90 kg today. This increase will result in an overall weight loss of more than 300 kg per car.

Richard Bennett, Du Pont's manager of automotive market development, says, "Auto companies are looking at the potential for redesign and for new materials in literally every part or component of today's car."

In many instances companies are starting out with clean sheets of paper. Frank Daley, GM's director of manufacturing development, comments, "Whereas the old evolutionary changes in the auto industry were pretty slow in coming, today we have the opportunity to take great steps in what our industry considers a very brief time frame."

Weight trimming is, of course, just one element in the more efficient motor vehicles of tomorrow.

British manufacturers recently agreed to improve the average petrol consumption of new cars by 10 per cent by 1985.

The base figure at October 1978 against which the annual consumption will be assessed is 10 litres-100 km. So the industry is planning towards a national average of between 8.8 and 8 litres-100 km.

During the next ten years, the combination of weight cuts, improvements body and engine designs and greater use of electronics will see the fuel consumption of cars reduced by around 30 per cent.

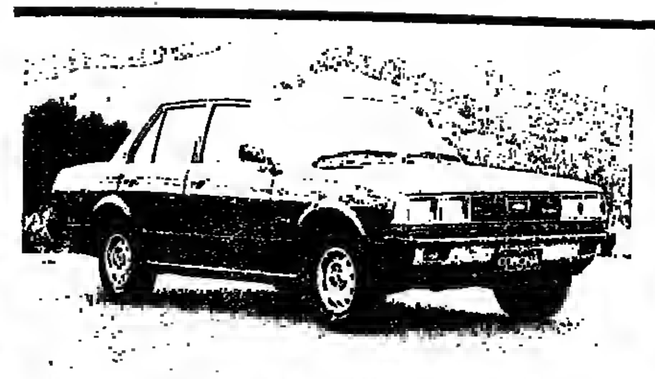
The average car in New Zealand today consumes about 9.8 litres-100 kms. This should have dropped substantially to 6.2 litres-100 km by 1989.

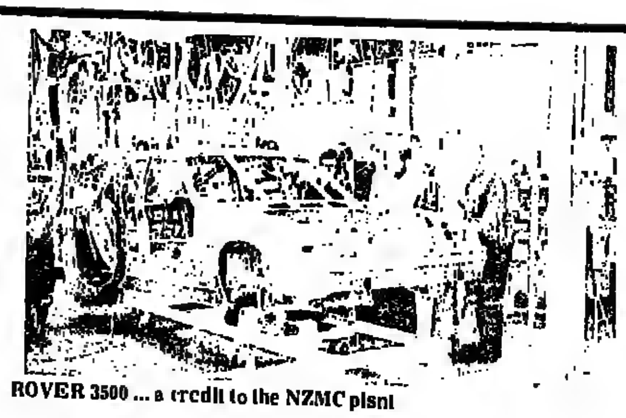
This alone will not help us out of the energy problem. But it will certainly help.

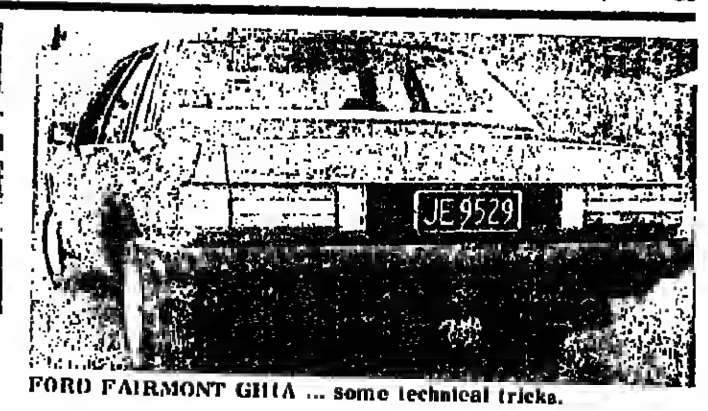

MAZDA 626 ... thrifty, quietly smart and very space-efficient.


GALANT SIGMA ESTATE ... plasticky, but smooth performing luxury.


COMMODORE ... presence, appeal and much knick-knackery.


TOYOTA CORONA XT ... surprisingly pleasant for the price.


ROVER 3500 ... a credit to the NZMC plant



FORD FAIRMONT GHIA ... some technical tricks.

Best buys in the executive range: currency movement and inflation favour local lineup

by Jim Webber

WITH the energy situation shaping up the way it is, the best buys in executive cars this year undoubtedly are any six and eight cylinder models that ask for no more than 9.4 litres of petrol per 100 kilometres — which is 30 miles per gallon in the old thrift.

Unhappily they're as rare as silence in a Skoda. Should anyone know of any I would appreciate advice, since I have a friend in the trade who says he could sell a bundle of them.

Anyway, does it matter all that much whether you use 9.4 or 14.1 (which is 20 mpg in OT) litres per hundred kilometres?

When you look at annual fuel costs on, say, 15,000km a year, it's the difference between $546 and $827. And that's the deep end.

After looking at a few fleet figures, that hairy old postwar adage about big cars being cheaper to run than small cars looks not so far-fetched.

Some company fleets are turning back to sixes after a whirl with economy fours, purely on wheel-stop time.

But let's not denigrate the four-cylinder ranges, which again have come through a year of up-speccing, as they say in the industry. Improvements and extra equipment can't be denied when former buyers of big cars are seeking solace in mid-size models which bristle with gadgets and more trim luxury than their larger predecessors.

The other major puzzle of the year is whether to go CBU or CKD — that's completely built-up or knocked-down, for local assembly that is, or SUP (single-unit-pack) which is General Motors jargon for CBU.

From the CBU shelf come cars like Benz and Audi, Peugeot and Citroen, Volvo, Scirocco and — now that assembly has stopped at Nelson — Jaguar.

I've a special regard for Citroen and Audi, which are badging some splendid cars these days, and if you're taking the energy scene seriously cars like these have much to offer since Europe has been motoring along with high fuel prices for years.

But face the prospect that resale values these days are tied more to currency moves and inflation imports than to the good old motivation of desire in the marketplace. Throw in the replacement-parts angle, and you might have further cause to pause, and ponder again the locally assembled selection — from which I've chosen the following models . . . leavening the inevitably slightly boring lineup with a few cars which are closely related to locally available cars, and therefore are favoured with a fairly active local market environment.

Commodore SL-E and Fairmont Ghia seem to be the decision-makers for bigger-car fanciers this year, and they're both admirable big cars. GM still isn't talking prices at the time of writing, though the Commodores are on the line at Trentham already, but it looks as if the automatic SL-6 will work out at around $14,680 and the SL-E-8 at $19,000 or so, one each side of the $17,200 Fairmont Ghia.

The Fairmont is modelled on the English Granada styling which has done Ford of Britain proud, and it is a very exciting car to use, with plenty of power and plush, a compact fe[…] just as much space in [..] areas as the supersede[d] Fairmont.

It has some neat tech[…] tricks — such as a [..] fuel tank, very accurat[e] gauge and electr[…] speedometer — and [..] Volvo-type outline be[lts] which allay any fe[…] fears that nuns are di[…] pity that the Austr[…] decided against the Gr[…] independent rear susp[…] because under press[…] Fairmont and the ot[…] Falcon series sedan[s] match the excellent r[…] adhesion of the Comm[…]

The Commodore is a[n in]teresting model. It […] end of Holdens as we […] them, and takes its […] from Opel, which m[…] two cars GM-H married […] create the compact […]modore and still b[…] ficient space under t[…] for the familiar […] engines.

The Commodore has [..] presence and appeal [..] much knick-knacker[y] Achilles heel probably is thirst. The only one […] driven, the V8, was not […] least economical — the re[…] of coming in as all the Com[…] modores will, with Austral[ian] emission control equip[ment].

It costs more, I'm ab[…] to take it off the […] engines than to leave it in. I have heard good repor[ts of] the SL-6, which is s[…] compare reasonably w[ell in] the fuel consumption […] locally built Kingswo[od] Premier sixes.

Available ex Austral[ia] luxury car buyers who [..] stay with GM but wh[…] Commodore unappe[…] small, is the Caprice […] around $26,000.

Ford's Ghia label is […] being affixed to the top […] model, which might se[…] ultimate in making all […] But its beauty is mor[e …] cloth upholstery […] $9000 Escort Ghia al[…] 1.6 litre engine, which […] lot of fun into […] motoring.

Cortina Ghia, which […] whole thing off, carries […] the well-dressed […] trouper it is, among […] of the best-selling models […] in the country this ye[ar …] knowing that its succes[sor …] Mark 5 Cortina, is wa[iting in] the wings.

Sole relic of the […] carriage trade, […] Jaguar and Triumph […] have gone, is the Rover […] now in production at […] and an impressive […] the dribble of CBU […] have seen.

Though imported […] have been around for […] time the New Zealand […] being given a hand by […] people because […] better-quality job than […] built predecessors.

Finish and fit […] examples I've drive[n have] been a credit to the […] plant. Even Spen [King …] designer, who was out […] the launch, told me he […] we'd get better Rovers […] the British ones […] not a man to wrap […] nicely for the PR side […]

Largest hatchback on the market, the $23,897 Rover is commendably thrifty: in old thrift, look for 24-27mpg. Main differences between this and the imported models are the power steering, which is turned down a bit to suit local tastes, and the upholstery cloth which uses brushed polyester in preference to the United Kingdom nylon which was judged to be less durable.

NZMC has expanded the Honda Accord range, by bringing in the four door model, which feels interestingly more opulent than the hatch and undoubtedly is executive-car material. Provided you don't mind front-drive it's a darned nice little car, though $11,116 seems a fearful price for a 1.6 sedan, good and all though it is.

Equipment levels are excellent. There are netback holdalls behind the front seats and warning lights for just about everything. You even get a wink when it's time to change the oil filter and switch the tyres round.

NZMC is putting untagged licence into the Prelude version of the Accord — rather than into Range Rovers and old-fashioned sports cars. It's a front-drive car for people who hate front-drive cars. Power steering takes all the reaction out of the tiller, and other goodies include an electric sunroof and a clever little built-in radio. At less than $12,000, a lot of two-plus-two car.

The other really interesting mid-size sedan is Mazda's 626 which slots right into the popular and crowded two-litre sector. Good to handle, thrifty, quietly smart and very space-efficient (rear backrest divides 60 40 and folds down to extend the boot), it's a mighty improvement on the 929.

Limited version with five speeds and wider wheels costs $10,450. There are a few built-up coupe editions here.

There's nothing from Mazda, of course, quite like a rotary, and off the CBU shelf there's nothing quite like the superclean RX7, $18,100 worth of silent blaster that makes most sports coupes seem like rolling antiques.

Mitsubishi's Sigma GLS is still the Todd Park flagship, with the $10,397 Chrysler Alpine — soon to be renamed, along with all Chrysler-labelled cars from Europe, with the once-distinguished name of Talbot — not far behind. Sigma, 626, Cortina Ghia, Datsun 200B ZX . . . these are the top mid-size sedans, each with its own variations on the theme of making former big-car owners feel at home.

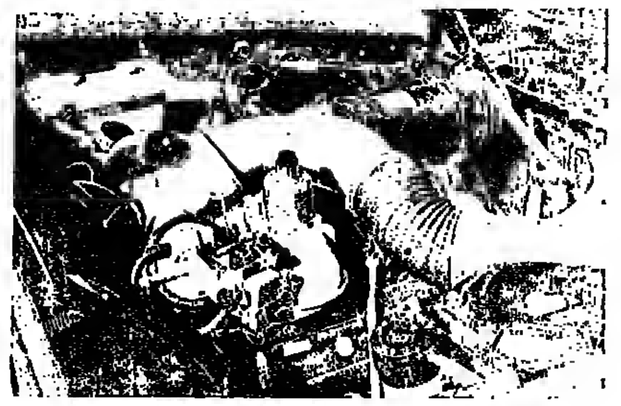
The Sigma GSL strikes some people as being a bit plasticky. Overall it's a smooth performing luxury four with lots of gear, five speed manual transmission, elegant styling, and also a station wagon version.

The sedan costs $10,895, the wagon $11,495.

Toyota's Corona XT and the rather preciously plush Datsun 200B ZX come into the club at $9800 and $11,250 respectively. Recently re-engined, and rebodied though it doesn't look much different from the Corona 2000SE, the XT Corona is surprisingly pleasant for the price.

It's much more modern than it looks, and the engine uses little petrol. Though downsized to 1.8 litres, it gives better power-weight readings than the former 2.0 unit.

Both the range-topping sixes from Toyota and Datsun are getting a trifle antiquated now. Even in the past, their main interest has been to show how little expertise the Japanese have in the big car field — a situation that's unlikely to change now.



Rolls – asset appreciates for cheap motoring

by Donn Anderson

A Rolls Royce, still the ultimate status symbol on wheels, is probably the cheapest of any car to own.

Any Rolls Royce model is an appreciating asset, and usually becomes more valuable the instant it leaves the new car showroom floor. This is particularly apparent in the car's home country, Britain, but is also a fact of life in export territories.

Once you've made the initial capital outlay and decided to buy a new Rolls every two years, you will actually make a profit on your motoring — and drive a car that is unique, of course.

Limited production of the hand-built cars means there is a permanent waiting list and a premium on near new, low kilometerage examples. Since Rolls Royce gives preference to export, the delivery situation in the United Kingdom is aggravated and even higher profits can be realised quite legally.

Most popular of the Rolls Royce models is the Silver Shadow four-door saloon which has been in production for more than a decade. Two years ago the company introduced a revised Series II version which is a big improvement on its predecessor, and even more highly sought after.

Silver Shadows ply British roads in their hundreds, but they are relatively few and far between in New Zealand. The number of Series II models could likely be counted on one hand although the Series I is more numerous.

A Silver Shadow of any vintage is a good investment as well as having "a passion for perfection," according to the makers.

Inflation and an increasing desire to own super luxury cars mean the purchase of a new Shadow today is just as good an investment as it was last year — or in 1968.

Ten years ago, for example, a new Silver Shadow cost a mere 6557 sterling in Britain. Today the same car in good condition (and they tend to remain in good condition longer than other motor vehicles) on the United Kingdom market fetches 8000 sterling and more. This year Rolls Royce celebrates its 75th anniversary and it is reassuring for owners to know that more than half the "Rollers", as they are affectionately known, are still running.

In the past year the price of a Silver Shadow II has risen 29 per cent, but demand continues to increase. At a recent auction in the United Kingdom a delivery kilometerage Shadow realised 37,250 sterling which was 30 per cent above the car's list price at the time.

The local distributors, New Zealand Motor Corporation, aren't keen to be tied to precise prices for a Rolls Royce, but the pre-devaluation figure for a Shadow II was around $110,000. New Zealand's allocation is two cars a year, but often Rollers are bought on home delivery in Britain and used there for several months before importation here.

Several have spent "resting" time in New Zealand using up their mandatory duty-free time before being shipped on to Australia. The cars remain here under bond and, provided they are re-exported within the specified period, they do not incur any duty or sales tax charges.

To celebrate the 75th anniversary, 150 special silver-painted Silver Shadows with red instead of black badges are being made. More than half will be exported and, despite New Zealand's low volume, one of the anniversary models may find its way here. The price? Perhaps close to $130,000, but almost certainly a sound investment.

Rolls Royce may be a big name when it comes to cars, but in unit terms the company is small fry. However, production expansion in recent years has been impressive.

Ten years ago RR built a mere 1000 cars; this year the company hopes to double this figure. Last year's production of 3328 cars (of which 60 per cent were exported) was 10 per cent higher than in 1977, and Rolls Royce is planning on doubling output of the Corniche model to 600 units a year.

Despite the comparative smallness of Rolls Royce Motors, the company is investing more than $10 million annually on research and development projects. It also intends spending more than $80 million on plant expansion during the next three years.

Rolls Royce has made remarkable financial progress since the 1972 financial crisis associated with the RB211 aero engine. This resulted in two entirely separate new companies. One is the gas turbine engine interest owned and controlled by government, and the other is Rolls Royce Motors handling the car and engine divisions.

In May 1973 Rolls Royce Motor Holdings was floated in the London Stock Exchange and since then things have never looked back. In 1978 Rolls Royce made a profit of 16.5 million sterling on a turnover of 152 million.

There is a remarkable mystique in Rolls Royce that is reflected in the conservative looking Shadow II. Regardless of economical problems and distaste by some for things restricted to the fortunate few, a Rolls remains the ultimate. It's an indication that you have really arrived in either the business or social world.

Although the Series II incorporates 2000 improvements over the original Silver Shadow, it is still very definitely a Rolls Royce from the grand hand-made radiator grille made just the same as it was years ago.

But signs that RR is moving with the times are seen by a large air dam below the front spoiler to break up the air high pressure that can build beneath the car at speed, and bumpers capped with polyurethane impact strips. Air dams or spoilers have been seen on many lesser cars but Rolls Royce considers the device "a significant step in automotive design".

Giving a strong indication of longevity, the speedometer on the Silver Shadow reads 999,999 kilometres, and electronics replace its cable. So for Rolls, the last possible source of mechanical noise in the instrument system has gone.

Time means little during the manufacture of a Rolls Royce. It takes three months to build a Silver Shadow, and four months for a Corniche. Of this, about six weeks are spent undergoing a paint process.

The bodies are made from steel, with galvanised steel in areas on the underside of the body which are vulnerable to corrosion. Bonnet, doors and boot lid are made from aluminium alloy.

Time means money, but Rolls Royce manufacture takes no short cuts. RR point out that there is nothing in the world that cannot be made just a little cheaper — and just a little worse.

David Plastow, the forward-thinking managing director of Rolls Royce Motors, said recently, "We can continue the process of refinement and technical development which is only possible in a product which does not have to made down to a price — our customers expect the best and they are prepared to pay for it."

Conservatism runs strongly through all Rolls Royce models. But the high cost of the vehicles is a direct result of careful engineering, lengthy manufacturing and high standards of quality control not found on other cars.

The rear suspension on the Shadow, for example, was the result of eight years of development. Incredibly low wind noise in a car that is hardly aerodynamically efficient is achieved by using two special rubber door seals. One type is used for the windscreen pillar where the door slides shut, and another on the central side pillar where the door pushes shut.

And if something works well, Rolls Royce sees no reason to change it. The fascia switch box that operates lights and ignition is the same as it was in 1947, and the polished walnut fascia is still part of the specification.

The woodwork in the car is lacquered and buffed by hand to a finish that looks like glass and is almost as hard. If you were so inclined, a cigarette could be stubbed on it without leaving a trace. It's also termite-proof.

Dimensionally, the Silver Shadow radiator hardly differs from a 1906 Silver Ghost, and the makers claim only ten men in the world can craft the stainless steel panels that form the radiator. The pieces are hand-soldered with large, old-fashioned soldering irons heated by gas. Modern electric ones have been tried and found wanting.

The "flying lady" atop the radiator which has long been known as the "Spirit of Ecstasy" is a great attraction for souvenir hunters. Many owners now wire the mascot to the air horn system to discourage people from tampering. Next time the Rolls is parked in a shady part of Wellington or Christchurch, remember the mascot alone costs a hefty $835 in New Zealand.

Driving a Rolls, or even riding in the car, is awe-inspiring. Wide doors allow easy access, and electric controls alter legroom, height and cushion tilt. Seats are finished in leather hide but there is a distinct lack of lateral and lumbar support in the front.

Equipment is immense and includes a speed-hold (set your speed and the car does the rest), electric petrol filler cap release, central locking, quadrophonic stereo system and air conditioning.

Rack and pinion steering on the Series II replaces recirculating ball, and this power-assisted system is a big improvement, while front suspension changes have improved handling and roadholding.

Rolls Royce is the first to admit the Silver Shadow is not the biggest car in the world, nor the fastest. But the smooth 6.75 litre V8 wafts the two tonne car along silently and with adequate power. The Silver Shadow has a modest top speed of around 185 kmh and accelerates from a standstill to 100 kmh in 10.5 seconds — figures that can be comfortably bettered by less expensive machines like the Jaguar-Daimler XJ12 or Mercedes 450SEL.

The makers say you can still balance a coin on the radiator of a Rolls Royce, and the silky aluminium engine is never obtrusive. Most Shadows average around 23.5 litres-100 kms which isn't out of the way when accounting for the executive budget.

But despite the massive 107 litre petrol tank, the 450 km range of the Rolls is insufficient to take the businessman from Wellington to Auckland on a petrol-less weekend.

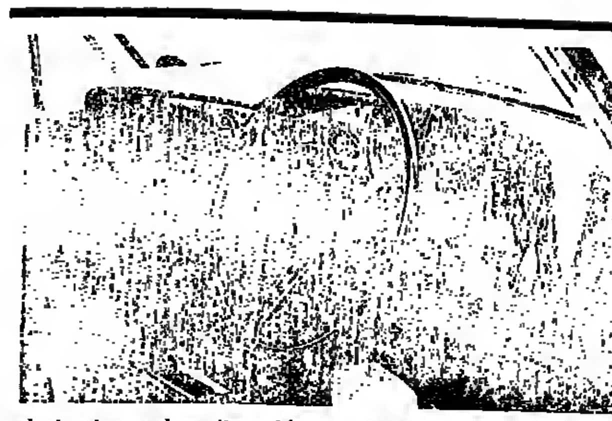
While there are other cars that will out-handle and out-pace a Rolls, no others can cosset occupants in such secure surroundings. The craftmanship and standard of finish is unequalled. No other car has the same aura.

The detailed Silver Shadow design is made up of 80,000 individual parts (compared with about 12,000 for the average car), has four-wheel ventilated disc brakes, 21 electric motors and probably the most sophisticated throttle linkage of any car. The Shadow is good enough to boast a three-year, 90,000 km warranty.

So there is a world of difference between this and other motor vehicles. It can stand alone on its social status. Even the usually strict United States Government granted Rolls Royce an exemption to the required fuel economy targets on the grounds that the company's sales volumes were so low that their energy consumption was negligible.

But RR is still working towards a 25 per cent weight reduction during the next ten years, and a new Silver Shadow model is scheduled for launch at the end of 1980.

If a Silver Shadow isn't enough for you, the less practical, two-door Camargue costs 77 per cent more. But it is made at the rate of only two a week and the waiting list is seven years and more. In the event of picking up a cancelled order, however, a new Camargue would conservatively be worth an extra $20,000 the moment you drove it out the door. No wonder so many people who are at the top are seen in them.



Tax perks make vehicle leasing attractive; releases cash for working capital usage

by Donn Anderson

A MORE professional attitude toward motor vehicle leasing in New Zealand is resulting in an expansion in this sector of business.

There is no doubt that some people are still nervous about leasing and, in fact, the system does not necessarily have advantages for all types of commercial application.

But the freeing up of capital and taxation benefits can make motor vehicle leasing very attractive.

In addition, companies are able to ascertain fleet costs in dollar terms, and pinpoint the cost of a vehicle over a two or three year period.

Equipment and vehicle leasing in New Zealand has grown from around $55 million in January 1976 to almost $90 million in January 1979.

In the year ending March 1978, New Zealand Finance Houses Association member companies outlaid $99.4 million in loans, advances and leasing for motor vehicles — the largest single item.

Second was housing ($94.3 million), followed by heavy construction ($68.8 million), and even transport and storage was well down on motor vehicles at $62.4 million.

While it is true that hire purchase also releases capital to work in other areas, there is more to be gained from leasing.

Existing hire purchase regulations for new cars specify a 60 per cent minimum deposit, with payment of balance over 12 months.

So a typical $10,000 two-litre four cylinder car would cost a company a $8000 deposit. At an average interest rate of 13 per cent, the balance of $4520 would be paid off within a year at $376.67 a month.

If the same vehicle were leased, the company would need to put down the sum of $5000 at the inception of the lease because of a government requirement that half the cost of the car is advanced as forward rentals.

But for the next 21 months of the 36-month lease period, the company need make no further payments since they are already covered. For the remaining 15 month balance, the monthly lease payments would be $239.

At the end of the three years, the $10,000 vehicle is considered to have a residual value of $5120. Residual values are pre-determined by a set formula at commencement of the lease.

With the effects of inflation, vehicles are usually worth more than the residual value on the market. When the car is sold, the company obtains the benefit of the difference between the residual value and market price.

Local restrictions prevent the vehicle being sold to the company. But there is nothing to prevent the car being sold to a third party and then finding its way back to the party which leased the vehicle in the first place.

Leasing terms are usually taken out for two or three year periods, but there is nothing to prevent anyone leasing for a year — apart from the high cost.

Most popular is the three year term which is three times as long as hire purchase for new cars and twice as long for second hand cars.

Leasing of commercial vehicles requires only one month's rental in advance and is, of course, even more attractive in releasing working capital.

"Leasing is really only good for businesses or professional people," a major finance house told National Business Review. "It is very expensive for a private person. The key to leasing is the releasing of cash for working capital. If you can't get the benefit from that, there's no point in leasing."

The $8000 ceiling level for tax deductions on company cars which applies to hire purchase does not affect leasing.

All lease payments on business vehicles are usually tax deductible, and the taxation aspect makes leasing well worth close inspection. Advance rentals are tax deductible.

Existing relationships with vehicle suppliers (including discounts and maintenance agreements) are not affected. The company operates the vehicle as its own and even the registration papers are in the company's name.

Only the company or business involved, the vehicle supplier and the finance company know the vehicle is being leased.

New vehicles are most favoured for leasing, but the law permits the lease of a used car, provided it will be no more than five years-old at the termination of the lease period.

If the vehicle needs to be disposed of or replaced during the lease period, the finance company will adjust the residue value, again to a pre-determined formula, again set by the Inland Revenue Department.

No figures are as yet available on the breakdown of motor vehicle leasing in New Zealand.

Marac, the biggest finance company in car leasing, began the scheme in the early 1960s, and reports considerable expansion in recent years.

But restrictive local legislation and a Kiwi attitude that it's nice to own one's vehicle mean that even today leasing is not as popular as hire purchase.

"It's remarkable how many business people aren't at all fussed about not owning their premises, but they like the company car to be owned. They really should look at the financial side," says a finance company spokesman.

Leasing is big business in North America and Europe where there are no restrictions to hinder agreements. Three out of every four new cars in the United States — both business and private — are sold on lease.

Avis has just introduced a new "closed-end" full-maintenance lease scheme to New Zealand. Unlike conventional lease agreements, the Avis plan has no residual value, covers all maintenance costs and is, by its very nature, expensive.

Avis allows a monthly rate of 1000km and projects a maintenance schedule for individual fleet cases. Charges are tailored to suit company requirements, bearing in mind average distances covered annually and the type of business.

Since users merely put petrol in the vehicles, Avis says its scheme saves valuable administration time.

With rising prices for motor vehicles and increasing maintenance costs, finance companies believe leasing will expand in New Zealand.

Motor vehicles leased, as with other capital assets under similar agreements, do not show in the balance sheet as a borrowing and therefore do not affect the capacity of the lessee to borrow from other sources.

Compared with other short to medium term finance methods, leasing, because of tax deductibility, in many instances shows distinct cash flow advantages.

"Fill her up": the request becomes complex

by Belinda Gillespie

NEW Zealand motorists are on the threshold of a new era.

The age of the mono-fuel — petrol — is making way for a multi-fuel system, with different options in different parts of the country.

Dr Basil Walker, director of the Liquid Fuels Trust Board, after talks with the major car manufacturers overseas, reported that there was a general realisation that car design had to change to meet this new fuel situation.

Right now it's a chicken and egg situation. What we get in the way of design will be influenced by the type of alternative fuels we adopt, and what we select for fuel may be influenced by how much its use means modifying traditional car design.

By the end of September, some of the speculation on future fuels for the motorist should end. The Government then is expected to unveil its energy strategy in more detail.

Decisions hinge on two reports — that of the Liquid Fuels Trust Board on the use of Maui resources and that on the future development of the Marsden Point oil refinery, both due at the end of the month.

The decision to use Maui gas for liquid fuels was made only last year. But the Government has moved quickly since then, giving top priority to the conversion of fleet vehicles to compressed natural gas (CNG) as an automotive fuel.

It is now sorting out its priorities in the future production of liquefied petroleum gas (LPG), methanol, and the production of synthetic gasoline from methanol.

In the long term, the switch from oil to natural gas as a transport fuel is an interim measure. One fossil fuel with a limited life span has been substituted for by another, albeit an indigenous one.

New Zealand has a breathing space while it looks at the more futuristic options such as green oil and the electric car.

Not that there is anything new about fuelling cars on ethanol, which can be produced from wood, fodder beet or sugar-cane. It dropped out of favour after the war, when oil became cheap, but is proving to be the answer to Brazil's fuel problems.

Under a national programme, petrol used in road transport is being systematically replaced by hydrated ethyl alcohol, extracted from sugar cane.

The Government has undertaken to produce and distribute the alcohol, while the automobile industry is developing and manufacturing a national fleet of vehicles to run on it.

GREEN OIL . . . supplements mineral fuels

The major companies are already tuning their vehicles to run on a mixture of 80 per cent petrol and 20 per cent ethyl alcohol, while Volkswagen and General Motors are producing their first entirely alcohol-fuelled cars later this year.

Wood and fodder beet are the sources under consideration in New Zealand for the production of ethyl alcohol.

Scientists are working independently on projects at the Forest Research Institute in Rotorua, where a plant has been established to produce ethanol from wood. And at Canterbury University, workers claim even greater economies for their process which converts beet into ethanol.

Another raw material under consideration by Massey researchers is whey, which can be converted into alcohol by a continuous fermentation process.

With Maui gas expected to run out early next century, energy farming is under serious consideration. The Energy Research and Development Committee Report says we will need to start supplementing mineral fuels with "green oil" from the 1990s, and suggests a demonstration programme during the next decade, with the objective of having commerical plants operating by 1990.

From the standpoint of the private motorist, cars are said to run on a petrol blend of up to 15 per cent alcohol, with little adjustment. But alcohol has a different ignition temperature and combustion characteristics from petrol and rich mixtures bring problems with corrosion and size of the combustion chamber.

Fuel consumption of an alcohol-run car increases by about 20 per cent, but this should be offset as the gap in price widens between petrol and fuel alcohol. (Petrol now costs nearly 30c-litre; estimates for ethanol vary from around 20c, using a beet source, to 30c, using a wood source.)

Production costs will put the price of new cars up by 10 per cent in Brazil, but motorists can have their existing engines adapted to run on alcohol for only about $300.

In the medium term, - that is, the mid 1980s - there is a possibility of two new fuels coming onstream. They are M-15, the 15 per cent methanol-petrol blend, and synthetic petrol.

A Government announcement finalising a plant for methanol production to enable M-15 to be brought in is expected in the next two months.

M-15 and synthetic petrol are to some extent mutually exclusive, with the methanol-petrol blend the less expensive option, in terms of spinning out Maui gas as long as possible. Its introduction would mean only minor adjustments to car engines with the replacement of zinc, aluminium and some plastic parts subject to corrosion.

Mobil moguls are pushing for synthetic petrol, which they say will make greater inroads into New Zealand's bill for imported energy.

Although the company claims economic viability for its production processes, synthetic petrol from gas has yet to be proved commercially.

The plant proposed by Mobil, the company claims, could still function after Maui gas is gone, using methanol from biomass or gasified coal, or even ethanol from plant sources as its feedstock.

To the motorist, synthetic petrol has a great advantage of requiring no modification of his car. Distribution would follow the existing network, and synthetic petrol is no more hazardous than ordinary petrol.

But methanol, according to Gordon Duncan, managing director of Mobil Oil (NZ) Ltd, is more explosive and toxic than synthetic petrol. Its greatest disadvantage is its affinity for water - as little as 0.1 per cent of water can cause separation of methanol in a blend.

The motorist will have to wait up to five years before tanking up with either of these fuels, while the plants to produce them are built. The fuels of today are CNG and LPG.

The two should be complementary, CNG has immediate potential in those North Island areas that are gas-reticulated.

In the non-reticulated areas and the South Island, LPG is the logical alternative.

Jonathan West and Lloyd Brown, in an April report to the New Zealand Energy Research and Development Committee, said: "Such geographical utilisation of CNG and LPG would result in the maximum penetration of these fuels. On the other hand, unrestricted competition could reduce their potential as petroleum savers, and would restrict the economy of scale effect, particularly in the distribution of LPG."

Given a choice, LPG probably sounds more attractive to the private motorist.

CNG has two disadvantages — a limited range, which restricts the average car to about 150km before refuelling, unless extra tanks are fitted, and the dependence on refuelling stations on the ... gas reticulation pipeline.

The cost of converting a vehicle to LPG is slightly ... at around $700 compared ... $800 to $1500 for CNG. CNG ... half the cost of LPG with ... up to 20c-litre, retail.

But LPG output from the Kapuni field is already committed either to existing users or those with a declared intention to convert their vehicles.

Even though the ... operation in conjunction ... Maui now has the go-ahead, there will be a delay of three ... five years. The current ... from Kapuni is only ... 11,000 tonnes, with a potential for 20,000 by the ... of 1980. The Maui project should provide 80,000 tonnes annually, followed by an extension to about 120,000 tonnes. Bridging imports of LPG ... be necessary to ensure continuation in demand.

Australian manufacturers are quickly getting into the ... as the demand for LPG ... grows. Datsun recently ... veiled its prototype LPG ... General Motors Holden ... carrying out a major study ... developing engine ... conversion to LPG.

Chrysler has just introduced a warranty for cars converted to gas.

The stance of companies here depends on Government plans. Todd Motors has ... warranty is still some ... away, and General Motors ... not honour its warranties ... new car fails because of ... alternative fuel.

According to Ian Hamilton, secretary of the Motor Vehicles Manufacturers Association, engines will ... be entirely suitable for ... running until they ... produced with special hardened valve surfaces.

With abundant supplies ... LPG still some way off, ... version to CNG is an ... mediate realistic option ... some North Island motorists. Maximum penetration of ... could save 40 per cent in ... transport petrol use, ... according to the West ... report ... full Government commitment to CNG ... widespread conversion of ... private and non-private vehicles at a rate of ... vehicles a year would ... per cent conversion of ... potential fleet by 1985.

The private motorist ... time can economically ... the high cost of converting ... CNG only if he travels ... distances annually ... areas.

As petrol becomes ... expensive, CNG will ... more attractive. The ... frastructure" for CNG ... improve, with a greater spread of gas reticulation, ... more refuelling stations, ... greater number of mechanics trained in conversion ... maintenance.

Driveability with CNG ... little different from petrol ... use has been shown to improve engine efficiency, ... lengthen its life, ... maintenance costs ... exhaust emissions ... reduced, and the life ... lubricating oil and spark ... is increased.

There is some loss of p... and acceleration at low ... and a weight penalty of ... 45 kg for each fuel ... fitted to the car. But the ... perts say that ... installed and well ... CNG conversion system ... safe, if not safer than ... system.

Chances of real profit growth seem remote

by Peter O'Brien

THE corporate structure of the motor vehicle industry is three-tiered, and complex. It divides into assemblers, new vehicle sellers, and the second-hand market.

But each level overlaps others in several companies. Ownership is spread among local and overseas organisations, to add a further complexity.

The main assemblers (although there are others) are Ford, General Motors, New Zealand Motor Corporation, the Todd group, Nissan Datsun, and Consolidated Motor Distributors (including Cable Price Downer and Challenge Corporation as shareholders in the assembly of Toyotas).

Other companies are involved in the extraordinary range of vehicles available to a population of 3.2 million.

The second level comprises retailers of new cars, usually under franchise, but New Zealand Motor Corporation has its own retail branch network.

The third group is the second-hand vehicle market. The total size of the industry is shown in the New Zealand Business Who's Who. More than 300 companies are listed under "Motor Vehicle Dealers and Distributors", but the list does not include many smaller second hand car dealers.

Seven companies, with total or substantial investments in the motor industry are listed on the Stock Exchange: Challenge Corporation, Colonial Motor Co. (Ford), Ebbet (GM), Motor Holdings (several models), New Zealand Motor Corporation (British Leyland, Honda), Manthel GM, (Nissan-Datsun), and Schofield (GM).

CPD's motor activities are part of a much wider business, but the company has interests in both assembly (CMD) and in retail outlets through subsidiary companies.

Challenge is included in the listed companies, because group turnover in motor vehicles in the 1978 financial year was $120 million, excluding figures from the 40 per cent shareholding in Consolidated Motor Distributors.

That turnover alone makes Challenge the second largest listed company in the motor industry, although the group has the bulk of its investment in other industries, particularly pastoral.

The main stock and station companies usually carry motor vehicle dealerships, but the dealerships can be considered a service adjunct to their principal business of dealing with farmers, particularly in providing them with goods paid for out of farm produce revenue. (Baillie Farmers Motors, a listed company is 50 per cent owned by the Hawke's Bay Farmers' Co-op).

The listed companies have been under pressure in recent years, and received a generally unfavourable rating on the sharemarket.

Reorganisation, consolidation, and diversification improved results in 1978-79. Diversification is now a major point of corporate planning for several operators, the most notable being New Zealand Motor Corporation.

The Wellington-based company is using its engineering expertise and financial strength to reduce reliance on a difficult motor market.

The companies have different balance dates (March 31, May 31, June 30, and July 31) so it is misleading to compare available 1979 results with 1978 figures for companies still to report.

Published results for March 31 companies show a substantial improvement over the previous year. Manthel bounced back from a loss of $320,000 before extraordinary items in 1978 to a profit of $478,000, while New Zealand Motor Corporation lifted profit on the same basis from $4,146,000 to $4,559,000.

Both figures take account of the removal of the stock adjustment allowance, so the improvement in pre-tax profit was even better.

In Manthel's case the allowance was academic in 1978, due to a loss. The stock allowance was brought forward to 1979, to give the company a $5000 tax liability on pre-tax profit of $483,000.

Motor Holdings recovered strongly last year, turning a $640,000 loss into a $1.2 million profit in the 12 months to March 31, 1979. The company is "restructuring" its activities. The annual report refers to diversification into products related to the forestry, agricultural and horticultural industries.

Auckland-based Schofield Holdings improved net profit from $197,000 in 1978 to $384,486 last year, but the tax provision changed from a credit of $2153 to a liability of $242,904, making the "real" lift greater than shown by the net figures.

While the figures for Manthel, Motor Holdings, and Schofield are better than in 1978, the three companies have barely improved above the results of 1978 and 1977.

Motor vehicle companies are adapting to the new market environment, which changed as a result of fuel problems and the general economic trend. Diversification assists the process, but rationalisation of models and sales outlets, also help the adjustment.

To the extent that these developments lead to more streamlined companies, they are "good" for the industry and for the economy.

Rationalisation may result in fewer companies over the total industry, but is unlikely to have much effect on Stock Exchange listed groups.

It will be felt in the host of second-hand dealers, several of which closed down voluntarily in the last two years, or were forced into closure by creditors.

The market's assessment shows in the dividend yields.

Last week Colonial Motor yielded 6.5 per cent, but the other companies referred to ranged from 8.6 per cent (Manthel) to 11.4 per cent (Ebbet Waikato).

The market therefore sees little chance of substantial real profit growth in the short term, relative to alternative investments in other industries.

Trucking study blames policy for inefficiency

A LINCOLN College study has found that the majority of New Zealand's rural sector trucking firms are operating inefficiently.

The study by the college's Agricultural Economics Research Unit blames past — and still current — policies toward the road transport industry for keeping costs to the user higher than need be.

Economist Lee Young found that the optimal size for a rural trucking operation was seven vehicles, or allowing for some survey error, between five and nine vehicles.

She based the conclusion on a three year operations study of cost and output data for 55 firms.

Two thirds of the country's goods operators own only one vehicle, and three quarters own only one or two vehicles.

The number of firms operating within Young's optimal range of five to nine vehicles is 8 per cent.

Turning it around the other way, Young found that 16 per cent of firms owned between five and nine trucks and therefore operated at minimum average cost levels.

Firms with less than five trucks account for over a third of all goods vehicles and one man operations own a fifth of the country's fleet.

Young blames deliberate policy moves for the economic inefficiencies which arise from the misallocation of resources involved and the higher costs which transport users have to bear.

While prior to 1939 the licensing authorities encouraged mergers, the post war preference to servicemen reversed the trend in the size of firms. In addition, existing firms were restrained to their pre-war size.

"Any expansion of business due to the effects of the war was to be appropriated from the firms for the benefit of returned servicemen." The net result was that ex-servicemen held half the country's general goods licences by 1950.

Restricting competition with the Railways also localised road cartage and encouraged the growth of large numbers of small firms for local transport and railhead feeder services.

The licensing system required an applicant to show that a demand was not being met, but once granted a licence, the holder had protection from competition and a guaranteed livelihood.

The system of rate regulation further encouraged small firms over larger units.

Rates were set by the Transport Ministry to cover costs and allow the licence holder a 10 per cent return on capital. That policy was partly based on the need to protect the smaller firm.

Young says the long-term effect of the policy was a misallocation of resources within the transport system.

"Regardless of the circumstances creating the initial structure of the road transport industry, a preponderance of non-optimal firm sizes has been perpetuated by the absence of competitive forces. Both barriers to entry and price control ensure the survival of firms not producing a minimum cost."

The implications of the studies findings are interesting. According to Young they support the thrust of the road user charges legislation which favours firms with higher net profits per vehicle kilometre travelled.

"Consequently as a firm expands, it can absorb the distance tax more easily."

The study also indicates that the relative importance of efficient scheduling, arranging backloads and operating multiple depots will therefore increase.

In effect that favours the larger firms where significant economies of scale and some degree of sophisticated planning can be achieved more easily.

While the study does accept that pressure on the small rural operator will increase, Young's real conclusion is that entry requirements should be eased and the licensing system abolished.